Credit

AND FINANCIAL MANAGEMENT

DECEMBER
1939

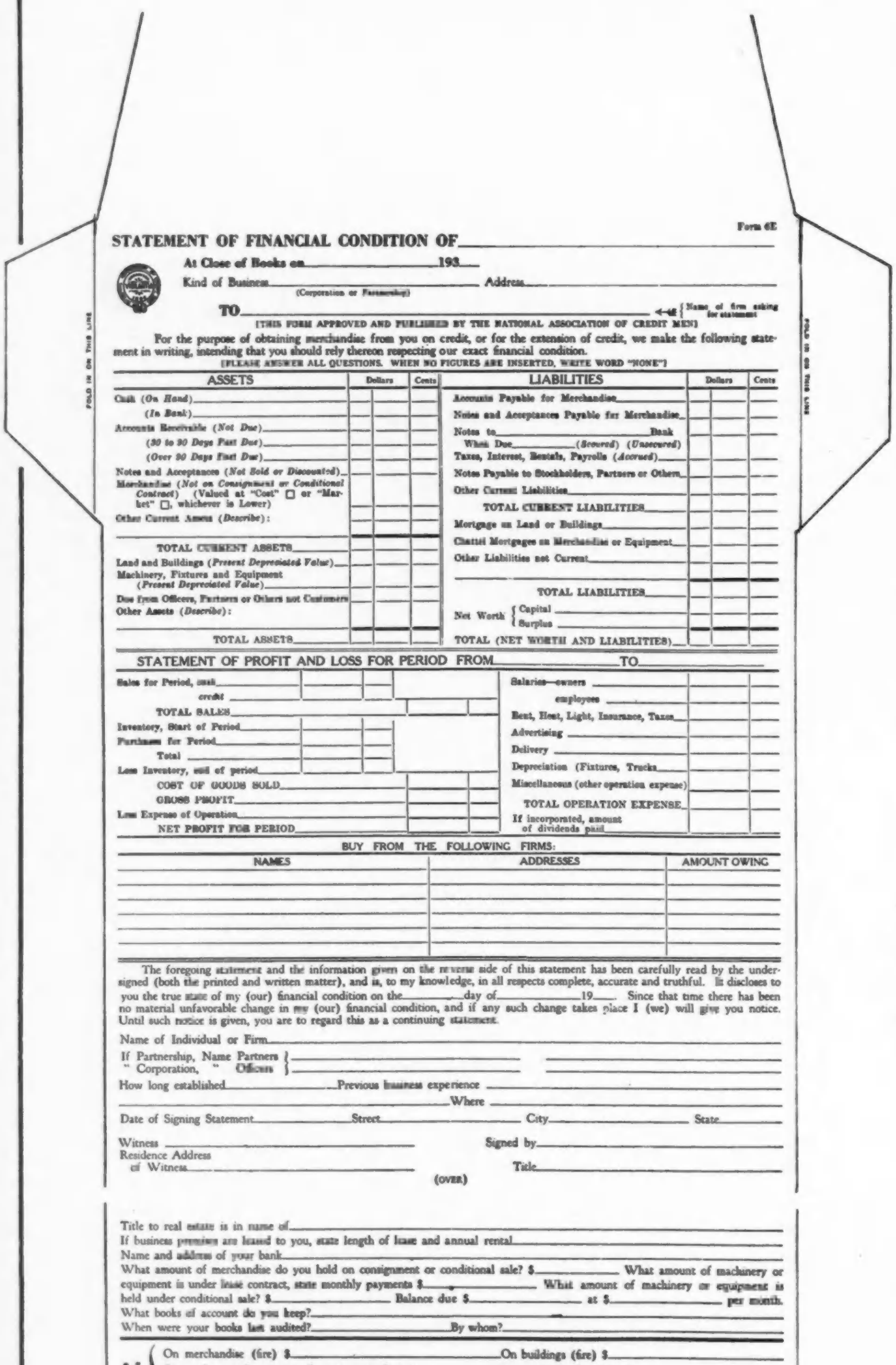
Credit's Place in Business - - See Pages 6-10-13-15

Full Information Available from this

Financial Statement Form

(No. 6.—Plain and No. 6-E—Envelope Style)

Designed After Suggestions by Leading Credit Executives.



Form 6E

STATEMENT OF FINANCIAL CONDITION OF

At Close of Books on 193

Kind of Business (Corporation or Partnership) Address

TO ← of { Name of firm asking for statement

[THIS FORM APPROVED AND PUBLISHED BY THE NATIONAL ASSOCIATION OF CREDIT MEN]

For the purpose of obtaining merchandise from you on credit, or for the extension of credit, we make the following statement in writing, intending that you should rely thereon respecting our exact financial condition.

[PLEASE ANSWER ALL QUESTIONS. WHEN NO FIGURES ARE INSERTED, WRITE WORD "NONE"]

FOLD IN ON THIS LINE

ASSETS	Dollars	Cents	LIABILITIES	Dollars	Cents
Cash (On Hand)			Accounts Payable for Merchandise		
(In Bank)			Notes and Acceptances Payable for Merchandise		
Accounts Receivable (Not Due)			Notes to Bank When Due (Secured) (Unsecured)		
(30 to 90 Days Past Due)			Taxes, Interest, Rentals, Payrolls (Accrued)		
(Over 90 Days Past Due)			Notes Payable to Stockholders, Partners or Others		
Notes and Acceptances (Not Sold or Discounted)			Other Current Liabilities		
Merchandise (Not on Consignment or Conditional Contract) (Valued at "Cost" □ or "Market" □, whichever is Lower)			TOTAL CURRENT LIABILITIES		
Other Current Assets (Describe):			Mortgage on Land or Buildings		
TOTAL CURRENT ASSETS			Chattel Mortgages on Merchandise or Equipment		
Land and Buildings (Present Depreciated Value)			Other Liabilities not Current		
Machinery, Fixtures and Equipment (Present Depreciated Value)			TOTAL LIABILITIES		
Due from Officers, Partners or Others not Customers			Net Worth { Capital		
Other Assets (Describe):			Surplus		
TOTAL ASSETS			TOTAL (NET WORTH AND LIABILITIES)		

STATEMENT OF PROFIT AND LOSS FOR PERIOD FROM TO

Sales for Period, cash	Salaries—owners
credit	employees
TOTAL SALES	Rent, Heat, Light, Insurance, Taxes
Inventory, Start of Period	Advertising
Purchases for Period	Delivery
Total	Depreciation (Fixtures, Trucks
Less Inventory, end of period	Miscellaneous (other operation expense)
COST OF GOODS SOLD	TOTAL OPERATION EXPENSE
GROSS PROFIT	If incorporated, amount of dividends paid
Less Expense of Operation	
NET PROFIT FOR PERIOD	

BUY FROM THE FOLLOWING FIRMS:

NAMES	ADDRESSES	AMOUNT OWING

The foregoing statement and the information given on the reverse side of this statement has been carefully read by the undersigned (both the printed and written matter), and is, to my knowledge, in all respects complete, accurate and truthful. It discloses to you the true state of my (our) financial condition on the day of 19 . Since that time there has been no material unfavorable change in my (our) financial condition, and if any such change takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement.

Name of Individual or Firm

If Partnership, Name Partners
" Corporation, " Officers

How long established Previous business experience

Where

Date of Signing Statement Street City State

Witness Signed by

Residence Address of Witness Title

(OVER)

Title to real estate is in name of

If business premises are leased to you, state length of lease and annual rental

Name and address of your bank

What amount of merchandise do you hold on consignment or conditional sale? $ What amount of machinery or equipment is under lease contract, state monthly payments $ What amount of machinery or equipment is held under conditional sale? $ Balance due $ at $ per month.

What books of account do you keep?

When were your books last audited? By whom?

Insurance Protection

On merchandise (fire) $ On buildings (fire) $

On machinery, furniture and equipment (fire) $ For employers' liability $

Amount of life insurance for benefit of business $ Do you carry fidelity bonds?

Burglary insurance $ Casualty (Trucks, autos)

Is any insurance assigned? $ If so, to whom?

This new form provides a complete statement of Resources and Liabilities upon which to base a credit appraisal.

Condensed Profit and Loss statement shows progress made by customer, giving valuable information as to Capacity (an important unit of the Three "C's").

Made in Plain or Envelope style.

NOTE THESE LOW PRICES (Form 6E)

PRICES (POSTPAID)

Plain	Quantity	With Your Name and Address
$5.50	250	$9.50
8.50	500	13.75
15.00	1000	23.50
20.50	1500	32.00
27.30	2000	42.60
33.15	2500	51.75
38.70	3000	60.40

No smaller order than 250 accepted when name and address are desired

Forms Department

NATIONAL ASSOCIATION OF CREDIT MEN

ONE PARK AVENUE
NEW YORK CITY

"A Dollar's Worth of drugs, please. I'll compound them myself"

As a pharmacist, you know what would happen to the customer who compounded his own prescriptions—a short life and not a very merry one. Fortunately, most customers know this, too, so they cheerfully pay for *your* services as an expert middleman and an authority on *your* subject.

When the retail druggist buys insurance from the experienced agent or broker of a stock insurance company he does not say "$50 worth of insurance please." He asks for and gets the advice and full services of an expert purchasing agent in the complex insurance field, like himself an expert middleman. No worries about uncovered risks that might wreck a business.

* * *

Because we believe so thoroughly in the services of an expert middleman whether retail druggist, insurance agent or broker we refuse to accept business direct because it is not in the interests of the Company or the assured to do so. When *you* buy National Surety Fidelity Bonds, Surety Bonds, Burglary or Forgery Insurance through your local insurance agent, you deal with a customer and friend who is a fellow member and supporter of the American Business System.

● This is a reprint of an advertisement of a stock-insurance company directed to the independent business men in the drug trade in your city.

NATIONAL SURETY CORPORATION

VINCENT CULLEN, President

Credit

AND FINANCIAL MANAGEMENT

Contents for December, 1939

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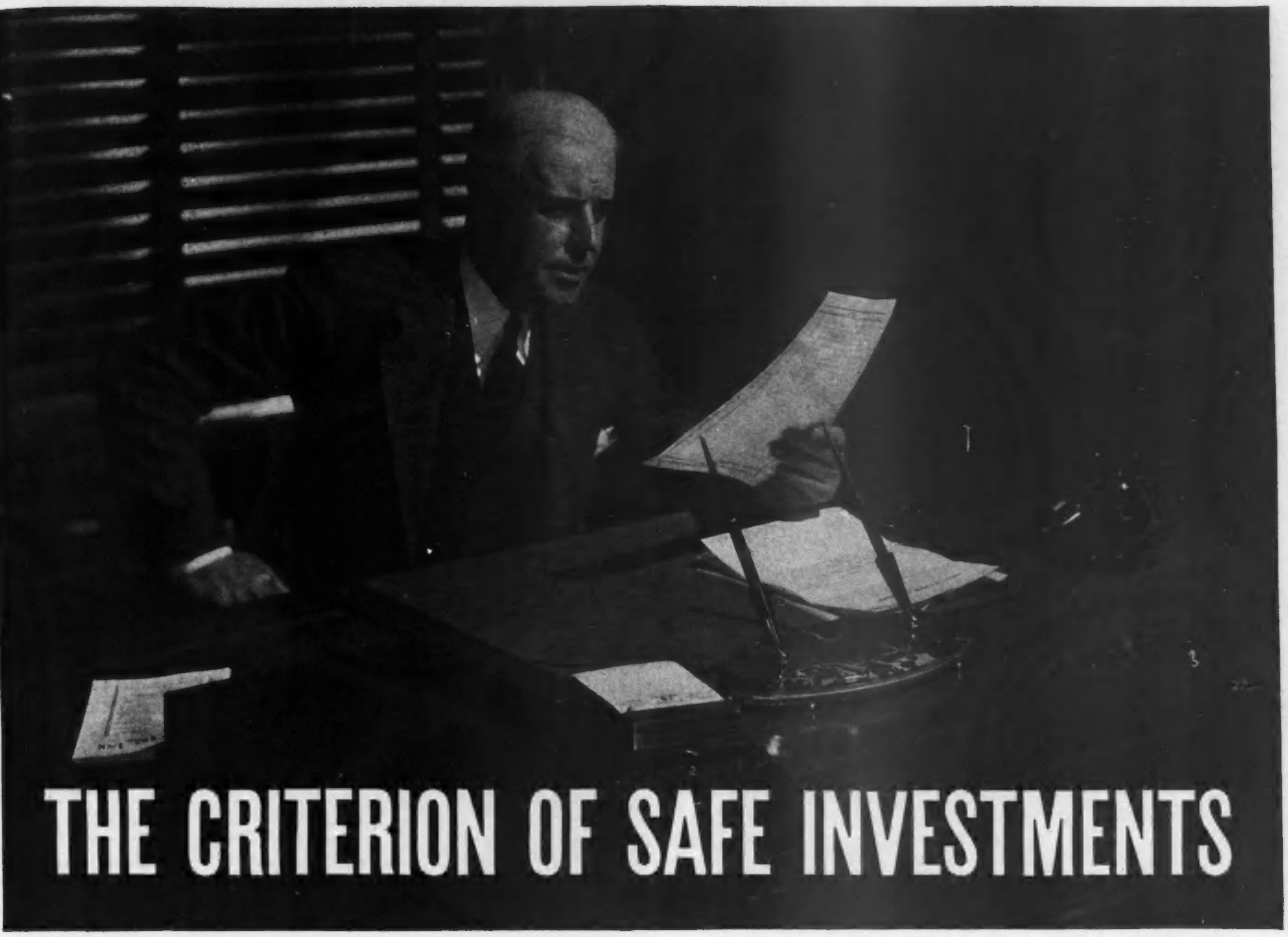

The problem of investments is, daily, an increasingly important issue. Individuals, business heads and bankers alike understand the value of wise selection of securities best adapted to their needs. Their first consideration is the choice of safe and reliable investments which can meet their demands unfailingly.

It is natural therefore that ever larger numbers of men, when selecting their insurance carrier, look upon the COMMERCIAL UNION GROUP as one of the strongest and most reliable Insurance Organizations in the world. The record of the COMMERCIAL UNION GROUP has proven that it is a criterion of safety.

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"Let Us Have Peace"

(Reprinted by Request)

This year the calm spirit of brotherly love that Christmas recalls and inspires is in sharp contrast to the many conflicting aspects of present affairs throughout the world. It is with this realization that we all look forward to the holiday season with the hope that it will be more than revelry; rather, a symbol of the spirit of mutual trust and cooperation which mankind should affect.

If the spirit of Christmas could be extended beyond the brief holiday season, the world would know less of racial and religious prejudice, of greedy hatreds and cancerous animosities. In this season all that is best and noble in mankind should express itself. It should be for friend and foe a time of reverence and respect, of thoughtfulness and courtesy, of forgiveness and charity.

Every implication of "peace on earth, good will towards men" should be realized in its fullest expression. Deep down in every man's heart there are intimations of something nobler than this war-weary world today offers. Let us pray that these intimations will soon be part of our daily life.

In wishing each other a happy holiday season let us remember that each of us in his own way must do his part in spreading the gospel of love of fellow man. So doing we can help insure that the generations to come may not, as did so many generations in the past, fall victims to false apostles of peace, to lustful ambitions of ruthless rulers, to prophets of reward without effort.

Let our hearts be moved, let our voices ring clear in behalf of greater understanding among all men, and in defense of those so deeply aggrieved that not only the promise but also the impending actuality of a new day of greater tolerance must be theirs, if this is indeed to be for all a Merry Christmas and a Happy New Year.

Henry H. Heimann

HENRY H. HEIMANN

Executive Manager, N.A.C.M.

"Every department in our organization needs LONG DISTANCE"

LONG DISTANCE telephone service is so successfully employed in sales work that executives sometimes forget its adaptability to many other business functions.

A good example of the *all-around usefulness* of Long Distance is the Florida Pipe & Supply Company, Inc., of Jacksonville, which distributes pipes, valves, plumbing and mill supplies throughout the Southeast.

The Secretary-Treasurer of the company reports: "Every department in our organization has a particular need for Long Distance," and lists some examples which are reprinted at the right.

Each of these paragraphs illustrates a practical application of Long Distance. It will pay you to read them — just as it will pay you to use this modern service.

SALES. "An urgent inquiry from a packing plant in southern Florida necessitated our having a representative there the following morning at 9 o'clock, to submit a quotation on a large order. We telephoned our salesman nearest the plant, and gave him the necessary information. He arrived in time to compute costs and submit a detailed bid. Our firm got the order, and added this company to our list of regular customers — thanks to the telephone."

SERVICE. "We use Long Distance to notify customers of price changes — enabling them to take advantage of such changes immediately. This produces additional sales, and good will. Regular customers are also notified by telephone of specially attractive offers — which means more orders, and prevents loss of business to competition."

OPERATIONS. "Daily at noon, a telephone connection is established between our headquarters at Jacksonville and our branch at Orlando. All important matters are discussed—and the cost of constant visits to the branch is saved."

TRAFFIC. "Our different divisions are served by our own delivery trucks. Recently, we had a delivery to make in Atlanta, but did not have a full load. A Long Distance call resulted in a $500 order, and made up a full load for the truck. The cost of the call was $2.25, and besides making a profit on the order, we saved on the cost of delivering the first order."

COLLECTIONS. "We have found that a personal telephone call to the customer will bring the best results. Misunderstandings can be diplomatically cleared up, and some definite promise to pay obtained."

Selling the Credit Department

How Sales-Mindedness Builds for Profits

By Hugh Kerr, Credit Manager, R. W. Norris & Sons, Baltimore, Md.

The popular conception of a credit manager is an aggressive, hardboiled individual whose outlook on life at all times is pessimistic and suspicious. Intimate acquaintanceship with credit executives soon convinces anyone that this popular conception is, to a large degree, utterly an illusion. Actually the average credit executive is a man who can be appropriately described as completely "defensive." Belligerence and the air of suspicion are frequently a self-protective pose; and it seems logical to conclude that actually it is this attitude of self defense that is responsible for some characteristics generally attributed to credit executives—characteristics that limit and curtail the activities and success of many members of the credit profession.

Wherever credit managers are gathered, whether it be to have luncheon together, twenty or thirty at a credit group meeting, fifty or one hundred attending a luncheon and speech, or an entire turn-out at a Credit Association Annual Banquet—no matter what the number or when the occasion—sooner or later one phase of business will be discussed that seems to be the obligato in the cacophony of almost all credit executives' daily business routine. That obligato could be called "The Melody of Harrassment."

Defensive Complex

How often do you hear credit managers say:

"You know what happened! The Sales Manager made an issue of it and went over my head to the "big boss" claiming that I was turning down too many orders and that this one was really worth credit. . . ."

"We wouldn't have lost the money on this account if the salesman had used his head and tipped me off when the customer first began to have trouble. But, after all, you can't expect any more from salesmen. They just won't co-operate! . . ."

"I have to be very careful about letter writing. Whenever a customer complains about collection letters to the salesman there is always a kick back through the Sales Department. I get tired of defending myself continually. . . ."

The foregoing comments are familiar to all of us in credit work. Certainly they substantiate the theory that the majority of credit executives suffer from a "defensive complex." Yet, when we analyze the situations causing these remarks, we come to one major keystone on which every such situation is built. That keystone is simply this—that the Credit Department has not *sold itself*.

It is lamentably true that credit executives and sales executives as a whole believe that sales and credit are antithetical. In reality this is entirely untrue. Every Sales Department is selling some line of merchandise or service with the selling program based on tangible sales points creating, in the prospect, a desire to purchase. In the same manner a Credit Department should base its whole collection program on selling to the customer the idea of paying because of some intangible sales points that will create in the unpaid debtor the desire to remit for the amount of his account.

Predicating a collection program on this theory, another thought promptly presents itself. It is primary knowledge in all merchandising that a salesman's attitude must be friendly and co-operative in order to achieve successfully his sales program. Therefore, the same is just as definitely true in credit work. The air of goodwill and co-operation is equally as essential. When a salesman endeavors to close the order he steps up the tempo of his sales appeal and makes his argument increasingly forceful, *BUT* he doesn't lose his friendly air. Therefore, the same policy should be followed in collecting, where it is just as possible to be forceful and friendly. There is no reason for the attitude of belligerency that so frequently manifests itself in collection work except, of course, in that minutely small percentage of cases where the customer is a "dead beat."

All the above is in the way of generalizing. So far it has been the purpose of this article to analyze a major weakness in credit work and to suggest principles to correct this weakness. At this point let us apply the theory specifically by diagnosing individual ailments and suggesting the medicine to correct the sickness.

Three Steps in Selling Department

For the purpose of simplicity, let us consider this idea of "Selling the Credit Department" in three separate steps or divisions. These divisions might be called:

1. Securing the goodwill and co-operation of the Sales Management.
2. Securing the goodwill and co-operation of the Salesmen.
3. Customer relationship.

Securing the goodwill and co-operation of the sales management is essential to the most efficient operation of any Credit Department. Normally the Sales Department is primarily geared for volume, while the Credit Department is primarily geared to keep losses at a mini-

mum. From this basic difference springs the mistaken idea that the two departments are from different worlds. Actually they have one great major interest and that is *maximum profits.* This fact alone seems to be more than ample justification for the belief that every Sales and Credit Department should co-operate wholeheartedly. If a company triples its volume in any one year yet shows an operating loss or a negligible operating profit, no one in the organization will benefit financially and the possibility arises that a reactionary alarm might infest the directors or owner. This same would be true if the company showed a ridiculously low loss ratio only to find that its operating statement at the end of the year presented a most unflattering picture due perhaps to far too stringent credit supervision.

Net Profit Is Mutual Goal

Accordingly, since net operating profit is the mutual goal of every sales and credit executive, as long as each department is aware that the other is working solely for the achievement of this goal and contributing substantially to its ultimate success, then there must always be a feeling of co-operation between them.

There are many ways by which a Credit Department can convince the sales management of its desire and ability to assist materially in building up profitable operation. It is extremely doubtful if there is a case on record where a Sales Department, once convinced of this fact, has not worked wholeheartedly with the credit executives. The second and third steps that we will consider in this "Selling and Credit Department" are basically the most effective ways for a Credit Department to create this feeling of comradeship. They will speak for themselves when we come to them.

There are, however, a few ways in which credit executives can directly assist sales executives. Perhaps the most used of these methods of assisting is what might be called "credit sales tools." The actual opening of an account is in itself a "sales tool" since it eliminates the necessity of hand to mouth C.O.D. selling and permits the salesman calling on that account to sell stock orders inasmuch as the merchandise can be paid for the following month. Even greater assistance on larger stock orders is given when a Credit Department can arrange a partial payment plan on open account or trade acceptances on a 30-60-90 day basis or some such variation. Of course, the greatest of all "sales tools" of this type as supplied by the credit profession is time-payment purchasing. A glance at national statistics will quickly reveal the fact that such major industries as furniture, real estate, automotive, and electrical appliances would practically collapse were it not for time-payment buying.

His Plan Must Be "Right"

It is not enough for a credit executive merely to present a time-payment plan for selling. To do his part of "co-operation toward the goal of maximum profits" he must be able to present a time-payment plan that is as attractive as any plan offered by his competitors. If possible, his plan should be more attractive, but certainly it should at least place his company's sales force on an equal footing with competitive salesmen. Furthermore, the credit executive is the logical person to develop selling points, sales co-operating, and advertising for time-payment purchasing.

Once the sales executives are convinced that the Credit Department is throwing the maximum of its credit merchandising power into developing the company's business, for selfish reasons alone they will realize the necessity of co-operating to the maximum with the Credit Department. Then, and then only, will true co-ordination be achieved. The sales executive and the credit executive then will act as a counter check on each other, and working with the efficiency of a first class pitcher and catcher on a baseball team, they will create a progressive, joint relationship for their company that will practically guarantee success.

Securing the goodwill and co-operation of the salesmen is perhaps the most difficult job a Credit Manager can face. It can be done, however, and once accomplished will mean more than any other single factor to the success of the credit executive who is able to achieve this relationship.

Here again it is basically important for the credit executive to convince each salesman under him that his main objective is profitable operation and that he will do everything in his power to assist the salesman in obtaining good, profitable, safe orders. The most difficult circumstances under which to convince salesmen of this perspective is faced by a credit executive coming newly into a firm and taking over the credit supervision formerly handled by a Credit Manager who had the "defensive complex."

Changing the sales force's attitude from one of antagonism to one of co-operation cannot be accomplished in a short while by the new credit executive. The salesmen have had too many years of friction, rebuff and suspicion in their dealings with the previous credit executive. No new man could expect them to take his comments at face value.

Must Prove His Stand

Accordingly it is necessary for him to preach steadily his credit-sales philosophy and, what is more important, *to prove it.* Once he has converted just one salesman, his job will then become much easier. The fact that he has made a disciple will have a very positive effect on the other salesmen and then it will be only a matter of time before the majority of them will become loyal to him and his credit ideas.

The contention may be true that it is impossible to gain the support of the entire sales force. That is immaterial. The important thing is to gain the co-operation of the majority of the salesmen and it seems to be a sound theory that contends that those salesmen who will not support a "credit-sales philosophy" are usually the weak

links in any sales organization and ultimately headed for the ashcan anyway.

Start New Salesmen Right

Once the sales force has aligned itself with the credit executive the only task remaining is to start new salesmen out with the right attitude. In the majority of instances an addition to a sales force is a man who has been a salesman for some other company or one who has been promoted from the ranks of the company for which he is starting out as a salesman. In the latter instance he can be easily molded.

The credit executive has in his favor the alliance he has created with the salesmen in the past, and naturally the new man is greatly influenced by the veteran salesmen's opinion. Furthermore, having had no experience of his own, he is willing to accept advice at its face value. Nor is it a difficult task to obtain the support of a new salesman who has previously been employed in a sales capacity by another company. Usually he has accumulated an attitude of antagonism toward his previous Credit Manager. Therefore, he is very pleasantly surprised to find his new credit executive co-operative and sales minded.

This latter situation is handled very admirably by one company in which this credit-sales philosophy has become an integral part. There the Sales Manager and Credit Manager work hand in hand, and when a new salesman is employed he is given an intensive course by the Sales Manager that lasts over a period of a week. Finally there comes the day after which the salesman will start out on the road. On that day the Sales Manager talks to the new salesman about the credit executive and cautions him that it will be essential to follow his policies if he expects to make a good living at his new job. He cites specific instances where such co-operation resulted in excellent remuneration. He cites other instances where lack of co-operation resulted in an astonishing percentage of accounts being thrown on a C.O.D. basis with the consequence that the salesman's commissions were reduced to practically nothing.

New Man Gets Proper Viewpoint

Then he brings the new salesman over to the Credit Department and introduces him to the Credit Manager, having already wielded the "big stick" in order to make it totally unnecessary for any spirit of threat to come into the Credit Manager's original instructions to the salesman. From that point on in the conversation the Credit Manager can devote his comments entirely to converting the new salesman to a sales-credit philosophy.

It is unnecessary to dwell on the tremendous difference a co-operative sales force makes to the Credit Department. Such a condition is the dream of practically every Credit Manager. Those who have not achieved it have dwelt on its possibilities so much that they are well aware of the ideal condition it could accomplish. Those who have been able to acquire such co-operation have had that business ideal proven to them.

There is, however, another angle to this credit-sales co-operation which perhaps has not manifested itself to credit executives who have not been aided by co-operation from their sales forces. We speak now of the real and substantial difference that it makes to merchandising volume. An excellent axiom is "A paying account is a buying account." It has been the experience of many that once a sales force is committed to this policy of sales-credit co-operation, the salesmen all become immediately more effective in their customer contacts and, of course, are themselves materially aided by the sales consciousness of the credit executives supervising them.

Must Be Alert to Opportunities

In the majority of casts when considering a credit application, a mercantile agency report is drawn by the credit executive, and many agencies give an automatic revision service for a year on every report. Accordingly, on a percentage of accounts that are rejected at the time of originally applying for credit, subsequent reports at later dates will indicate that progress has been made by the applicant and his status has changed from an undesirable credit risk to a desirable one. It is at that point that the majority of credit executives fall down. They follow the policy of concentrating their energies only on active accounts and, accordingly, slight follow-up reports on rejected accounts.

What can be more effective than a Credit Manager, receiving a follow-up report indicating the improved condition of a rejected customer, immediately writing his salesman who originally applied for the account advising him that the account is now satisfactory for credit and suggesting immediate solicitation.

In one instance such action on the part of a progressive Credit Manager proved to be singularly effective. He received such a report on a previously rejected applicant —in that particular instance a wealthy partner having entered the business. Investigation of the salesman's whereabouts revealed that he was at that time in the very town in which the account was located. The Credit Manager promptly telegraphed the salesman at his hotel advising him of the changed circumstances with the result that the salesman immediately contacted the account and obtained an extremely substantial order.

More Than Routine Work Helps

In that case the Credit Manager had made it possible to obtain business that helped to increase the year's operating profit and, needless to say, the salesman promptly became a thoroughly enthusiastic admirer of the Credit Manager.

This follow-up report plan also applies to accounts that for one reason or another are placed on a C. O. D. basis and whose circumstances subsequently improve.

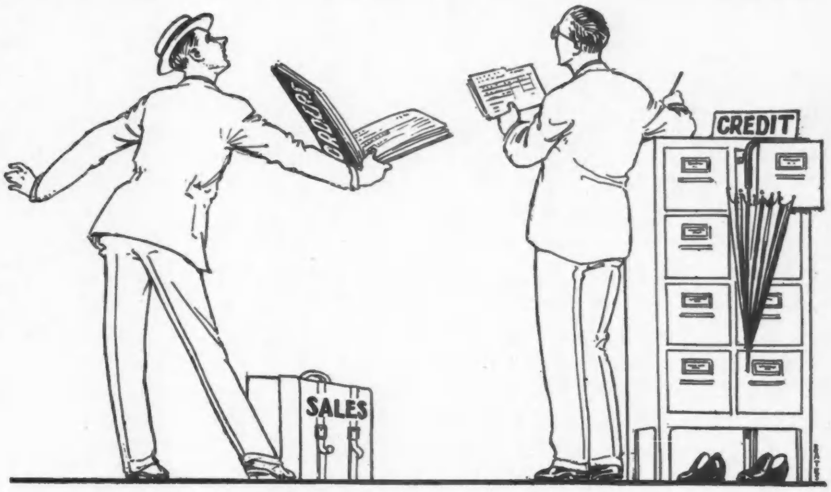
An additional impetus to sales that can be provided by a progressive credit executive is in new businesses. In many instances the Credit Manager is the first to be aware of the birth of a new outlet. By notifying the salesman covering that particular territory he is, in many instances, giving the salesman a prospect much earlier than the salesman himself would have been able to discover the new outlet; and oft-times makes it possible for his salesman to call there and cement relationships with the customer before competitive salesmen have arrived on the field. It is by such instances of assistance that the complete co-operation of the sales force can be obtained by the credit executive. Words alone will not do the trick.

Customer Goodwill

That the building of customer goodwill can be materially accelerated by the Credit Department is a thought

that to many people seems revolutionary. The majority of business men seem to have the idea that the Sales Department obtains customers and the Credit Department drives them away. Actually this should not be true. It is not at all too optimistic to say that a progressive credit executive who believes in selling himself, as outlined in the beginning of this article, can create more goodwill for a firm than any one salesman or than even the Sales Manager himself.

First let us take an account at its inception. The credit application and order are turned in by the salesman to the Credit Department. The credit executive investigates the account and finds the references and financial background thoroughly satisfactory. Then the easiest thing to do is to notify the salesman and pass the order along to the Sales Department for shipment. The easiest thing in this case, however, is not the productive thing and we must keep in mind that our progressive Credit Manager is thinking basically along the lines of productivity. Therefore, when he finds that the applicant will make financially a thoroughly satisfactory customer his next step is to write the customer a letter complimenting him on his credit status, expressing gratification at the privilege of serving him, thanking him for the order and the courtesies he extended the salesman, and assuring him of his personal desire to co-operate.



The Average Credit Man is completely Defensive

A Pat on the Back Helps

The good that such a letter accomplishes cannot be measured. To some recipients it means nothing. To others it is the difference between normal routine and a personal touch that he will remember in future dealings with the firm writing him the letter.

During subsequent months the new account merges itself with that of hundreds of other customers. It is impossible for the Credit Manager to give it his personal attention. However, some firms retain a House-Customer tie-in by the use of a House Organ. House Organs differ tremendously in format and content but a sure goodwill builder is using a large portion of the House Organ for customer news. In any one issue only a few customers can be mentioned because of the limitation of space. However, the fact that "Customer News" does not include the name of the recipient is no deterrent to goodwill building. The very fact that the firm issuing the organ mentions the names of some of the customers, and news pertaining to them, indicates to the customer reading the organ that the house is interested in customers buying merchandise from it.

How a House Organ Helps

The Credit Manager can supply this customer news more facilely and intelligently than any other one person in the organization. Through agency report, letters from customers about their accounts, and conversations with the salesmen, he acquires in the course of a few weeks quite a number of items of interest. The inclusion of this House Organ at the beginning of every month with the statement of the account makes for economy in mailing and, at the same time, assures that the goodwill building medium will reach its goal.

Now assume that our new customer, after a period of a year, begins to drift in his payments and that his account finally edges well over into the past-due columns. The normal procedure is then for the credit executive to resort to collection letters. Where the co-operation of the salesman has been secured by the Credit Manager, the chances of the account going over-due are materially lessened for the salesman is collection conscious and accordingly has reduced over-due accounts to a minimum. However, in the instance of this account, the salesman has been unable to keep it up-to-date in payments. Accordingly, the customer will receive his first past-due letter and, remember, it will be the first time in his one year association with the firm that his attention has ever been called to his payment method. An abrupt standardized collection letter will irritate him. The progressive Credit Manager, however, will not write such a letter. He will base his letter on sound letter writing technique using as his psychology an appeal for assistance or some personal touch that will make the recipient of the letter sympathetic with the writer. In other words, the letter should be predicated on a reason for collecting that is one of the reasons why the recipient himself wants to collect his own accounts.

Study Slow Accounts

The next step we base on the assumption that the new account becomes increasingly financially involved and collection letters do not bring the desired results. Conversation with the salesman may show the Credit Manager where the trouble lies. At that point, regardless of the knowledge transmitted to the Credit Manager by the Salesman, it would be wise to draw a trade report on the customer and endeavor to discover through objective analysis what is wrong with his operation. In ninety per cent of the cases the trouble lies in either slow accounts receivable, too large an inventory, or an insufficient percentage profit on sales. The Credit Manager, having found which of these flaws is the major contributing factor to the lack of payment ability, can now determine what is the best corrective step for the customer to take. Then the ideal move for the credit executive to make, if possible, is to visit the customer or to have the customer visit him. If this cannot be accomplished, then it is necessary to resort to letter writing, but for the purposes of this article let (*Cont'd on p.* 22)

As Management Views Credits

Executive Visualizes Objective—Net Profits

By G. William Birrell, Secretary-Treasurer, Charles Kunzler Co., Lancaster, Pa.

It is my purpose to discuss from an executive's point of view, the duties and mutual responsibilities of the Sales and Credit Departments.

But what is an executive we may ask? At one time his job was considered a sinecure—he played golf in the afternoon, took extended vacations and let others run the business. But now things have changed. While the workers' hours have been reduced to 42, *his* has been increased. Matters which formerly were handled by subordinates now require his attention, as every decision in this age of government supervision takes on a new significance. In spite of added responsibilities, however, the chief function of an executive, still, is to keep his business running on an even keel, so that there will be cooperation and harmony between the numerous departments that comprise a modern business, among them the sales and credit departments.

The growth of a business starts with production. We must produce before we can sell, and selling brings in turn the question of credit. Production, until the conclusion of the World's War, was the great problem in this country. We were living in a growing country, business looked forward each year to a normal increase of 10% without effort as the result of a like percentage of increase in population. During the period of 1914-1920 greater stress than ever was put upon production as the needs of Europe were added to those of our own. The heads of industry were men who had risen from the ranks, keen, physically strong, two fisted individuals, and their chief concern was to get out production. When the war ceased we found ourselves with enlarged producing facilities and with markets restricted. For a short time we had a depression, but from 1923-1929 we had a great boom which many of us recall.

The Great Selling Era

This we might term the beginning of the great selling era.

The emphasis was no longer on production; we had that; we must sell. If a person was a good salesman he could almost name his own price. Salesmanagers were elevated to the rank of Vice-Presidents with a seat on the board and he was listened to as never before. If he could sell it was like a voice from Heaven. Many young men who lacked maturity and judgment were given positions of responsibility because they were go-getters, full of pep—on the theory a new day had dawned and it takes young men to get business.

This was the period of the great expansion of installment selling when no thought, or at least very little, was given to the buyer's ability to pay. Profits were large so that many evils developed, among them over extension of credit. Why worry about credit losses—we can afford to take a chance"—this was the philosophy of the day.

But there was another evil, sound business practices were ignored, corners were cut, and even dignified bankers sacrificed principles for profit.

Like all things, it came to an end. The crash of 1929 illustrated that business *must* be established on a sound foundation or it crumbles.

Time to Locate Trouble

After a year or two—and it took us this length of time to realize that the talk about a new economic era was hokus pokus—we began to analyze the conditions that had brought about the catastrophe. Among other things we found that the matter of a sound financial policy had not been given consideration, and that if we wanted successful business, there must be a better understanding of credit's place in the business plan.

During the reconstruction years, we find that emphasis was given to putting the house in order—many inefficiencies and extravagances had developed that had to be eliminated. "Get the business no matter what it cost," was no longer the order of the day. Unprofitable territories were eliminated, accounts were scrutinized, and the question of credit given more consideration. Profit margins were small or did not exist at all, so that credit losses were a real handicap not just a mere incident.

It has been unfortunate that it took management so long to appreciate that the proper handling of credits cannot be done by just anybody, and yet it is not difficult to see why. When the control of business rested in the hands of production minded management, an office force was a necessary evil and treated accordingly. Invoices of course had to be made and books kept, but on the whole the office was considered inconsequential and paid accordingly. Nobody who wanted to be anybody worked in an office—he was either a mechanic or a salesman—professions excluded.

When the sales department became the throne room, the credit department was still of not much importance because a salesman doesn't need anyone to tell him when an account is good or bad, he "knew" a damn sight better than someone sitting in an office." He paid little at-

tention to warnings, if anyone had the audacity to sound a word of caution.

The result was credits were handled without much thought, by a person who had little or no authority.

Credit "Comes Into Its Own"

However, today the situation is entirely different and we now find the control of credit to be a vital part of business management.

There is still a wide gulf between the sales and credit departments. This is understandable I believe when we stop to consider the reasons. A salesman must be an optomist otherwise he would never sell. No matter what the business conditions are, or the state of the weather, he must meet his customers with a smile. If the customers complain about bad business he should be able to convince them it could be worse. He must forever prevail upon customers to keep an adequate stock on hand, properly display his merchandise and continue to spend money on advertising. If present business conditions are not as good as the customer would like, emphasis must be placed on the future. Relaxing present efforts may permit a competitor to get the jump and be in a more favorable position to gain an advantage when better times ultimately come. A good salesman should be able to judge the idiosyncracies of his customers so that he won't antagonize him. And in addition he should be able to tell from the way the business is being conducted if the customer is making progress or slipping. Salesmen form opinions. If these opinions are at variance with the credit department, if it means the loss of an order, there is a clash. Where the salesman feels his customer will pull out and pay in full, if only given a chance, the credit manager may be just as certain there is no hope, and refuse to accept any more business.

The credit manager on the other hand must be a realist. He cannot allow himself to be carried away by his emotions. Each case must be considered on its merit, on the basis of sound judgment. "Can the customer pay," must be the question he asks himself. A salesman has the right to plead the cause of his customers, present all the facts, and the credit manager should keep an open mind. Many times a salesman can give information that does not appear on a financial statement or a credit report. In the end, however, the credit manager's opinion must prevail. No credit manager is infallible, he may make a mistake and refuse a credit, whereas time reveals the prospect was successful. It's galling to have these exceptional cases rubbed in, because nothing is ever said about the numerous cases where the credit manager was right.

Tendency To Help Sales Department

There is a tendency on the part of the executive to favor the sales department. It is not done with any thought of belittling the credit department, but sales are so vital that it is only natural he wants to do everything possible to help the sales department. As soon as this takes place the prestige of the credit manager is undermined with the result that he cannot take a firm position. If there is a feeling that the credit manager is too strict the question of credit policy should be discussed and the credit manager convinced that a more liberal policy should be pursued.

Difficulties often arise between the sales and credit departments through lack of understanding. No one has taken the trouble to bring these two departments together. This is a job for the executive. The objective of every business is profit and if all are made to realize that decisions are made with this in mind, much trouble can be avoided. The credit manager is not a stony hearted individual nor the salesman a cantankerous person. Both are real fellows viewing a problem from different points of view but with the same objective in mind. If there is a lack of understanding between these two departments it is the duty of the executive to bring them closer together for the good of all.

Importance of Letters

I am amazed at times at the lack of appreciation as to the effect caused by a badly worded, carelessly written letter. When one considers the time and energy expended by the salesman to get the business, surely we should give thought to the preparation of a letter, which may be the cause of losing business forever. If a salesman has a genuine complaint, it is when he comes across a letter that has the "you pay or else" attitude. Writing letters at best is not easy, and a collection letter most difficult of all.

Sometime ago my firm gave two contracts to a nationally known concern, for what was practically one job. Part of the entire work was finished and we received an invoice. It was our intention before paying to wait until all the work was done, but there was a slight delay through no fault of ours before the second part was finished. Well we got letter number one from the credit department—demanding payment. A regular canned letter that a clerk had filled in, because we had exceeded the 10 days. I don't remember the wording but it lacked the spirit of friendliness and appreciation. It provoked us and the next time we want work done the salesman is under a handicap because this will be sticking in the back of our minds.

Another illustration concerns a contract we gave for work to be done and paid for in four installments. We paid three installments—in each instance ahead of time. But the fourth we did not pay because the results we were getting were not satisfactory and the salesman knew it. The credit department started hounding us for the money and finally in disgust we paid the final installment. The results are still not satisfactory. No doubt the credit department thinks it did a good job getting the money before satisfactory results were obtained but it will be a long time before this concern gets another contract. The point I wish to stress is that the attitude of the credit department has made it very hard for the salesman to

get another order. If there had been an attempt on the part of the credit manager to get the facts from the salesman he would have known that all was not well and that insistence on the payment of the last installment was out of order until everything was operating properly.

Salesman Has Reason for Resentment

How should the salesman feel at such stupidity—particularly when the concern involved has a reputation for square dealing and paying bills promptly. He should "raise hell" with the person who wrote the letter, but he often feels "what's the use it won't do any good." So his dislike for the credit department grows and grows until it is almost open rebellion all the time.

The sales department generally considers its job is to sell and that the question of credit is not for it to worry about. Under such conditions each salesman feels that he need not give any more information than he can help about accounts, and if he picks up information which would be of great help to the credit department he never lets on. He proceeds on the assumption that selling is his job and it is up to the credit department to worry about the rest. If he can put one over on the credit department it is a feather in his cap. The result is the credit department is divorced from one of the best sources of credit information because salesmen are in a position to notice changes in the conduct of a business that is not reflected immediately in financial statements.

If the sales department can be made to listen, the credit department can be their best friend. Thru information that credit departments possess much valuable time and energy can be saved. Instead of salesmen trying to convince the credit department to take another chance, if the sales force would only heed advice there would be less headaches. This is particularly true where salesmen also do collecting. It takes only a few bad accounts to upset the peace of mind of a salesman and affect his ability to sell.

Must Appreciate Sales Problems

On the other hand the credit department must prove that it has a real appreciation of the salesmen's problems and take the salesmen into consideration when action must be taken. The attitude of "I know best" is not always the most profitable.

I suggest where feasible credit managers visit customers and get better acquainted in order that the handling of credits may be done on a basis of human understanding not as a matter of routine. This is important where the account has become slow and action of one sort or another must be taken. Talking to a person gives one a clearer insight, creates a more friendly feeling than writing letters and usually gets better results.

May I express to you my own opinion about credit. I have not been able to convince myself that a lax credit policy did anyone any good. On the contrary I have seen many instances where too much credit has been ruinous. When a customer gets into difficulties, does he thank you for having been lenient. He does not. He holds you at least partially responsible for his dilemma. If one wants to lose a friend, loan him money—the same philosophy applies to business where too much credit has been extended. The greatest kindness that can be done a customer is to insist he observe one of the principles of sound business—prompt payment of bills. Please, however,

don't adopt a rigid policy to be enforced by clerks as a matter of routine—know the facts—use common sense.

The great problem in business today is management—to head each department with men of broad vision and human understanding, who can place themselves in the position of the other fellow and decide the question "How would I like this matter handled if the positions were reversed?" It is the duty of the executive to bring the department heads together so that each one can appreciate the problems of the other and have that understanding which is so necessary for harmony and success.

No Department Preeminent

No department is preeminent. All are vital. There can be no sales without production, no production without sales and without production and sales no need for credit.

An executive if he merits the name should be able to bring the sales and credit departments to a realization that each is indispensable to one another, that a mutual confidence in each other is not only pleasanter but more profitable. Differences of opinion are bound to arise and if they cannot agree the executive should be available to decide these questions.

What can an executive do to bring the credit and sales departments closer together? We have noticed that temperamentally the sales and credit departments are very different and yet there is one thing in common—their objective is to produce profits. Can we inculcate in the minds of each that cooperation and not antagonism will bring the best results. Can we make the credit manager more sales conscious and the salesmen more credit conscious. It seems to me that the heads of these two departments should have a greater appreciation of each other's problems and do nothing wittingly that will make it harder for one another to do his work well. Petty jealousies have no place in a business organization. There must be mutual respect and an attempt to see the other person's point of view.

A Credit Executive Speaks to Insurance Men

Visions Insurance Information as Important Feature of Credit File

By G. C. Klippel, Credit Manager, Van Camp Hardware & Iron Co., Indianapolis

Much has been said over the years by Credit Men and those engaged in the insurance field about the need for their closer cooperation to the end that sufficient insurance coverage for the protection of business assets might be assured. Many meetings have been held by more than one hundred twenty-five local Associations affiliated with the National Association of Credit Men for the sole purpose of discussing the advantages to be derived from the active participation of the Credit fraternity in an insurance program seeking much greater and broader coverage for the protection of those business assets which constitute one of the main factors in credit analysis.

Much has been written on the subject in the past twenty-five years in both Credit and Insurance publications. The objective sought was, of course, that Credit Men would become fully aware of the hazards which could be protected against by insurance, and, being aware, they would see to it that their customer's tangible assets were sufficiently covered. Insurable losses for the customer and consequent losses to creditors would be materially reduced or avoided entirely.

Much talk, many meetings, and an abundance of literature, and, what is the net result of it all? I feel confident that the Credit Executive fully understands the fundamental principle that, having considered the tangible assets of the customer when making the credit analysis, he must see to it that these assets are well preserved against insurable hazards.

How Can Job Be Done?

To one in my profession who has experienced his share of the annual billion dollar credit loss, it is so elementary that further rehashing of the principle becomes somewhat inane. We have the hypothesis and the conclusion of our problem—but of what value is the Pythagorean Theorem without a thorough knowledge of geometry—the science of applying this theorem. We have the theorematic truth and are doing nothing much with it, unless by letting it go to seed, we are hopeful that through propagation it might of itself overcome the handicaps that we, so far, have not made any effort to eliminate.

Professional credit executives know the condition and the fundamental principle—but of what value are these without a knowledge of their application and the tools with which to apply them. What means are available for the accomplishment of these things which both insurance men and credit men desire to see done?

If we have available the means of accomplishment, credit losses are materially reduced and insurance sales multiply many times. For your benefit and ours, the application of the known principle, actively and aggressively, is necessary. Knowledge, when not put to use, is of little value. Can we, jointly, put our knowledge of this problem to use not only for the material reduction of bad debt losses—the bug-a-boo of credit executives—but also the material increase of dollar earnings for you through the sale of additional coverage and larger insurance policies?

I—(the entire Credit fraternity)—can sell more insurance than you—(insurance agents)—can. I—a modern Credit Executive—can sell more insurance than you—an insurance salesman can.

When I speak of selling insurance, I refer to new policies or additional coverage, and must eliminate renewals or that protection that is already in existence.

Credit Man Has Entree

We are comparing the possible results of salesmen, not order-takers. You are salesmen and must know the prerequisites for good salesmanship. I am a credit man, and judging from my general reputation with sales departments, I interfere with sales, and don't know the first principles of salesmanship. But, nevertheless, we both know that our product is good, that it is a necessity, and that it is going to make us money—for you in commissions and for me in less and fewer losses. You make more money and I am doing a better job for my employer. Perhaps I will make more money as my efficiency increases. Is there anything that would make a relationship more mutually pleasant than increased personal earnings and the satisfaction that we had served business and industry well?

I have one great advantage over you—I have better entree with the prospect who is my customer and my

debtor. He has frequently looked to me for advice on his financial problems; he has the feeling that I am interested in his business success; he knows that I have seen thousands of failures and many more successes. More frequently than you suppose, I, by virtue of my representing his main source of supply and his major creditor, am in a position to insist that he put into effect some business program which I know to be beneficial to him. The business man of today is not deliberately careless or unconcerned about his credit reputation.

I make the following brief quotations from Roy A. Foulke's book "Behind the Scenes of Business" in order that you might have one authoritative statement as to the advantage which I claim.

"Members of the credit profession stand beside the path and watch the business procession as it passes; they are of it but not entirely in it. Now and then they can lend a helping hand in the reconsidering of hasty decisions, in the revamping of questionable policies along the lines of empirical reasoning."

"These men knit together the widely diversified parts of our entire commercial organism and they are one and all in strategic positions to study the ever changing strengths and weaknesses of their customers. Their hands are on the controls at the locks in the canal through which flows the steady stream of merchandise for every daily human need. They are responsible for seeing that those concerns which are entitled to merchandise credit obtain their full measure, and those which are not entitled to it are gradually restricted. They fill the positions of great economic trust and because their responsibilities are so great they obtain the practical experience and knowledge which is of such vital fundamental importance in our American scheme of business affairs."

"Through the credit specialist with his unique but practical knowledge and experience can be exerted a profound stabilizing force in American economic life."

Lack of Insurance Affects Losses

Now, I say you only need answer for yourselves whether or not insurance or the failure to insure is a factor in our economic life. If it is, and I am certain in my own mind that it is, then the credit specialist must be concerned with it and you will profit well through his interest. I have my hands on the controls—have you arranged in any way for the signal to be given or have you failed to put the signal light in its socket?

My advantage has not served me well because you have made it almost impossible for me to find my prospect. Where is our market? Are we talking about selling something for which there is no market? Certainly a merchant who has full insurance coverage against all reasonable hazards is not a prospect. Are all the tangible assets of American business and industry reasonably and satisfactorily protected by insurance?

You have told me that the deficiency is overwhelming; you have quoted statistics to show that only a relatively small percentage of business assets are safeguarded by this product we want to sell. A glance at the list of fire and windstorm losses alone in any particular locality reveals an amazing deficiency in insurance. Business assets on which I relied in my credit analysis have gone up in smoke, or, "Gone With the Wind," whichever you prefer. Or, possibly those assets disappear to satisfy a judgment for some unexpected liability that was not disclosed or not in existence when the statement of condition was furnished to me.

Remember please, that our market consists only of the uninsured or the insufficiently insured—those whose tangible assets, one of the main factors in credit, are at the mercy of the elements and all kinds of personal and business hazards. Statistics reveal that much of the insurance deficiency is with the smaller business, the one of somewhat limited resources and capital. The large, well-managed industrial enterprise may be somewhat of a prospect, but in the main, such corporations have already been covered reasonably well through your efforts. Let us, for a moment, assume this premise, and see what else we can determine as to our market.

Where Coverage Is Needed

There are approximately two million active industrial and commercial concerns in the United States. Eighty per cent (80%) of these two million have a tangible net worth or capital structure of $10,000.00 or less. It is also known that a substantial percentage of the capital investment or tangible net worth is concentrated in a somewhat small percentage of all business units. It is with this relatively small group of major concerns that you yourselves admit the coverage is of more satisfactory nature.

But, remember, we are going to sell, not take orders—we are going after new business, that large amount that you recognize as the deficiency in insurance coverage. Doesn't it logically follow therefore, that our potential market is with the 80% of business units with tangible net worth of $10,000.00 or less? Doesn't it seem reasonable that this is a fact, when we recognize that these smaller units are under the directorship of those who probably have not given as careful and conscientious thought to this problem of insuring their assets?

Why all this discussion regarding market and its location? That has been the crux in our previous consideration of the question. We have gone so far, and then the rain-cloud has appeared and we have run back to our starting point.

The market is there all right, but you tell me to find it myself. I, the Credit Man, am the best insurance salesman you can get, but you start me on the job without any information as to who is a prospect and who is fully stocked up. With my training, knowledge, and information as to the tangible assets of my customer, I can determine for myself who is well-stocked or who needs more of our commodity, if someone who has the information will tell me how much my customer already has. You know, but you won't tell. Reciprocity and joint benefits deserve more than discussion of the principle and the withholding of information on the part of one of the cooperating parties.

Why Keep This Secret?

I, as a Credit Man, feel very much as though the insurance people had said to me in substance: "Credit men should see that their customer's assets are protected by insurance, and we, knowing that a large percentage of business assets are unprotected, expect to benefit by the greatly increased premium volume that will result from the Credit Man's activity. We insurance people know

who has coverage and in what amounts, but we won't tell the Credit Man. Let him find out for himself by asking each individual customer what coverage is in effect and to notify him if any is canceled or any policies lapse."

During the past year my efforts or demands on my customers have resulted in well over one million dollars increase of insurance coverage on their tangible assets. That is the result of a more or less immethodical, hit or miss program, and accomplished without any helpful information from you. Just a few days ago I found out *by chance* that one of my customers had no insurance of any kind on his stock of merchandise, fixtures and store building—the total value of which was approximately $20,000.00. He has been a customer of ours for more than ten years; canceled all his insurance over a year ago, and I didn't know it until I received a new finanical statement about two weeks ago. His excuse was that the town had a pretty good fire department and his building was supposed to be fire-proof. Do you imagine that such an explanation was sufficient for me?

Could you presume for one minute that I could justify my action if I were to continue his credit line of more than $1,000.00 if he permitted his assets and mine to remain in such a hazardous position? Could I afford to betray my employers' trust and confidence by ignoring such carelessness or ignorance in management?

This customer will, I assure you, get satisfactory insurance coverage from you, or his merchandise from some other supplier who may not yet have awakened to the futility of gambling on the "long shot" in credit practice.

So, the Credit Man, in order to help you sell insurance is expected to use the only door now available to him in seeking his prospect. He is expected to contact his customer; ask him what insurance coverage he has; determine that it is insufficient; influence him to increase his protection, and caution him to notify the credit man personally if any policies lapse or the protection of the assets becomes insufficient.

That one door which we might label "customer's own information" has been found long ago to lead the creditor into stormy weather—that kind of door that we associate with the remark, "'Tain't a fit night out for man nor beast."

Unprejudiced Information Best

Why does the Credit Executive prefer financial and operating statements prepared by a C. P. A.? Why does he seek antecedent information as to character and past record of his customers? Why does he use this service and that service to secure information on his debtors? The customer himself could be asked to furnish the information on his own words and figures. Why did we establish the National Association of Credit Men, the many affiliated local Associations, and the numerous services that they offer?

About twenty-five years ago the need for a medium for the exchange of ledger information between creditors so that the Credit Men could have reliable data to determine the paying habits of their customers, resulted in the establishment of the Credit Interchange Bureau system of the National Association of Credit Men. Our Credit Interchange System enables us to secure accurate information on the paying habits of our customers. The reports are compiled, not from information received from the customer, but from data taken from the ledgers of the customer's creditors. All too frequently the picture resulting from the so-called "customer's own information" was of a bright and rosy hue. The blues, deep purples and blacks did not appear until our Interchange came into being.

Do you see now why it is impossible for me to be interested in your sales proposition when you ask me to forget these things I learned more than twenty-five years ago? I still believe in the principle, but I don't like your suggestion as to its application.

Why Not a Business Exchange?

But, I will make you an offer. I'll do my part and sell the insurance for you if you will give me the information that you have regarding the market. You tell me how much coverage my customer has, and if it is insufficient I'll see that he increases the amount for the protection of those assets on which I am relying as security for the payment of my account. We, the Credit Executives of the country will sell your product to all the market.

If the insurance in force represents a 15% protection of business assets, we can outsell you 3 to 1. I would not be satisfied if each and every one of my customers were only 50% covered. I don't like bad-debt losses. Or perhaps the uninsured or partially covered loss does not result in an actual bad-debt loss to the creditor. Perhaps sufficient salvage or reserve is available for the full payment of accounts, but there are no funds for rehabilitation and the customer ceases to be a customer.

Many times the uninsured loss is not the final blow, but merely an impairment of assets which ultimately result in failure. These are of as much concern to credit men as are credit losses. The modern sales-minded credit executive realizes the value of an enduring customer personnel and does what he can to help each one avoid business pitfalls which might ultimately result in failure. Need I say any more?

How Insurance Must Help

How can you give me the information for which I am asking? The problem is no more difficult than that presented to us when the Interchange Bureau System of the National Association of Credit Men was instituted. Through the cooperative effort of the National Association of Credit Men and the Insurance Companies of the country, the information can be confidentially disseminated to the credit men—the salesmen who can really sell your product to the market.

I furnish ledger experience on my customers to all others of the credit fraternity through the medium of Credit Interchange. I know that in return, the other fellow's experience is always available for me. Insurance companies can furnish coverage information through the same medium, and know that in return we will see to it that the prospect is sold. If we have the information I am asking for, we must do the job. Failure would bring upon us the just criticism of all business executives. In doing the job we make money for you.

Profit for each of us through cooperation—and then I will not say, "I can sell more insurance than you can," but rather, "I have sold more insurance than you have."

NACM as a Business Force

Its Service for 43 Years Is Impressive Record

By Russell Deupree, Credit Department, Procter & Gamble Co., Cincinnati, O.

When we think of credit as a force or as something of value, it is advisable at the same time to keep in mind the fact that credit is a constructive force only if used in good proportions. All of us know that when the ratio of debt to worth, or debt to sound anticipation or expectancy becomes out of line, there is danger. We have made too much use of our credit. I have thought of credit as the life blood of business. That brings to mind our circulatory system, which in turn looks very much like nature's system of waterways. What I'm thinking about is how well things will go along in nature when the rain falls in proper quantities and the rivers flow normally. But when there is a serious deficiency in rainfall our crops fail, there is drought, dust bowls, and trouble generally. When there is a serious excess of rainfall, we have disaster from flood.

Likewise, if credit tightens to a serious point, the life stream of business is lessened with the consequent loss of business, loss of profit, and unemployment. Conversely if credit is given in undue proportions there is trouble because of failure of the stream of collections—the liquidation of receivables—to flow properly, with the resultant tie-up of funds, and credit losses.

Sometimes it is difficult to say just exactly where the breaking point is in the ratios used in judging the reasonableness of credit and of debt. But we do know that suddenly something happens.

All of us have heard that trading was originally carried on by a system of barter. Later, the different forms of money which were put into use began to replace the practice of exchanging commodities. Then came credit, which has to a great extent replaced the need for money at the time a transaction takes place. Any person in business soon begins to realize the importance of credit and to see how it penetrates every part of business.

Statistics show that more than 90% of all wholesale business is done on credit. Over 70% of retail business is put on the books for payment in the future. Credit is used by the individual, the partnership, and by small and large businesses. The various branches of local government, from Township to State, make use of the acceptance of promises to pay; and Nations become *heavily* in debt. In fact, credit is deeply interwoven into the fabric of business and Government.

Changes in Credit Operations

In the days when merchants did not have a mercantile agency to consult, and before there was an Association of Credit Men for the exchange of valuable credit information; when credit was not extended on the advantageous and sound basis practiced by all good business men today, the head of a business was usually his own credit man. His customers were not numerous, and he was personally acquainted with most of them. To each customer asking for credit, the merchant applied the test which is now known as the "three C's" of credit—character, capacity, and capital. It was not thought of in those terms at that time, but instead there were three questions in the creditor's mind: Can he pay? Will he pay? and When will he pay? In present day language, those three questions have become: Has he the *Capacity* to operate and make a profit? Has he the *Character?* Has he the *Capital* to carry on?

In the early days if these questions were answered satisfactorily credit was usually granted regardless of the absence of the positive and dependable information so much relied upon today. And here is where the Credit Men's Association comes in, along with the mercantile agency, and other agencies supplying information in particular lines of business.

The National Association of Credit Men covers all types of wholesale, manufacturing, and banking business, and it is my feeling that every manufacturer, wholesaler, and banker in this country should be interested in that Association. My reason for making that statement is based on the knowledge that The Credit Men's Association is an efficient body, intelligently working in the interest of business as a whole. I know of no organization comparable to the National Association of Credit Men and my estimation of its value arises from experience with it as a credit man.

Cooperation of Credit Men

This Association of Credit Men, founded in 1896 on a non-profit, cooperative basis is owned and controlled by its membership. The membership is now composed of approximately 20,000 wholesalers, manufacturers, and bankers. It has been said that "Men are not judged by their intentions, but rather by the results of their actions." This is also true of a body of men. The Credit Men's Association has served business for nearly 43 years, to the end that credit losses may be less, and they have served well.

The Association has 120 affiliated local associations in 45 states. There are also affiliated units in Honolulu, Hawaii, Manila, and close cooperation with the Canadian Credit Men's Trust Association of Canada, which is the

Canadian counterpart of the American Association of Credit Men.

From these facts you will appreciate that this is really a powerful organization. Frankly, I wonder if some business men and some bankers know these facts about an organization gathering information for the protection of merchandise and bank creditors in the United States, and if they appreciate the possibilities of the organization for help to business and for its protection from a credit standpoint.

From its Headquarters in New York City, the Association is capably managed by its executive head, Mr. Henry Heimann, a man of national prominence and wide experience in business, and especially in the credit end of business. Under him is a trained force with departments specializing in legislation, education, the handling of insolvencies and estates, collections, and the gathering and disseminating of ledger experience. The latter is known as Interchange, and it is a very important part of the service of this Association to its members.

Ledger Information

The Interchange Bureau derives its name from its function of gathering ledger experience from various creditors of a certain debtor, and compiling this information in what is termed an Interchange Report, which is sold to those having need for it. An Interchange Report usually embodies actual ledger experience of from 25 to 50 creditors, showing in each instance:

Location of creditor
Kind of business he does
How long the account has been sold
Date of last transaction
Highest credit extended
The amount owing
The amount past due
Terms
How debtor pays
Sometimes a brief comment

The average price paid for these reports is close to 50¢ each. Think of it! All of that information from 25 or more concerns selling an account in which you are interested for about 50¢. To write one concern asking for this information, would cost any business house at least 35¢, the amount which has been established as the minimum cost of writing one letter.

An important function of the Credit Association is the reconstruction and rehabilitation of business concerns needing help. The Adjustment Department works to rehabilitate a sick business, to reconstruct a business that gets into financial difficulties, or to salvage all possible for creditors from a business that becomes involved to the point where liquidation is necessary. The procedure is somewhat complex, and depends upon the individual situation. This department promotes friendliness between debtors and creditors and attempts to determine the interest of both the debtor and the creditor when a business nears the brink of trouble, or is already on the rocks, and to work out an arrangement to the best interests of both.

How Cooperation Saves Assets

As an illustration, a case now being closed involved a corporation who had debts of $55,000 and current assets of approximately $15,000. The corporation had a great deal of equipment which made it look solvent on the financial statement, but which couldn't easily be turned into money. The creditors granted an extension under supervision of the Adjustment Department and during the extension 15% in dividends was paid to creditors.

When this extension expired, general conditions in that industry were not good, and the business was reorganized. It is expected that creditors will receive a total of about 65% within a reasonably short length of time. The main advantage of this way of handling the case, is that the payroll has continued during the three-year extension, and suppliers have continued to do business with the firm, receiving payment for sales made during the period of extension.

Another interesting case is that of a local manufacturer whose stock reached a somewhat frozen condition and something had to be done. The Adjustment Bureau attempted to have creditors accept merchandise in payment of their accounts. However, conditions were not good in the industry as a whole, and creditors did not want the merchandise. There was about $40,000 owing to a bank which took a chance on a further loan of about the same amount in an effort to save the business. The Bureau arranged this loan and also worked out a plan whereby creditors received 33⅓% and the bank received its original $40,000 plus $10,000 on the additional loan; and the bank is protected on the balance of $30,000.

Right at this time the Bureau is handling a case where an offer of 25¢ on the dollar was made by the debtor. After an investigation with other representatives for creditors, it seems probable that creditors will receive 40¢ on the dollar instead of the 25¢ that was originally offered. In so many cases, when an account is not large enough for a creditor to spend time and money examining, these offers are accepted as originally made.

The great value of a business being taken in hand by this department of the Credit Men's Association is the fact that it is really under the control of creditors, who thereby are able to realize better on any assets that must be liquidated, and to control expenses in carrying on the business or liquidating it.

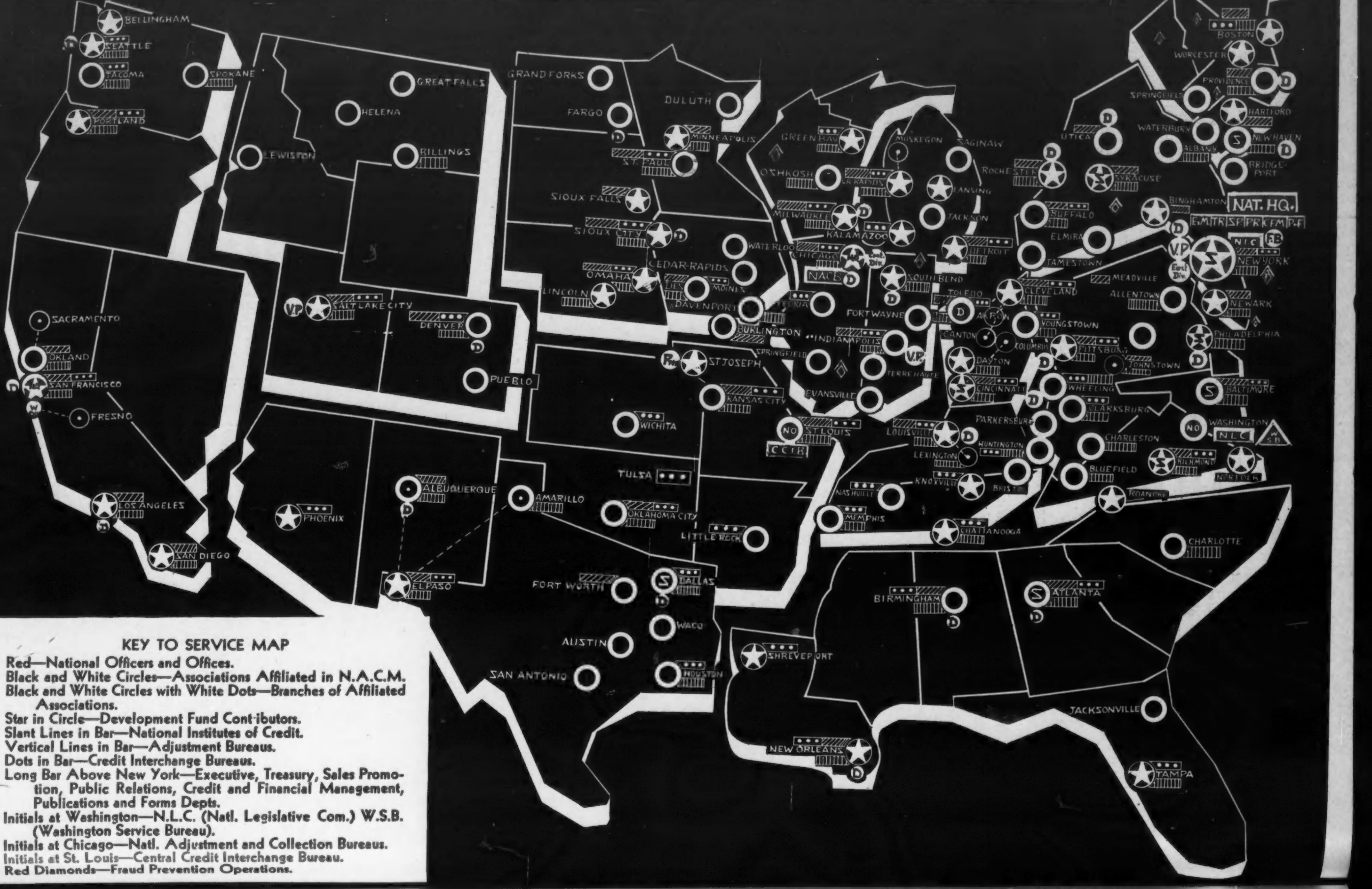
My experience has been that the Adjustment Bureaus of the Association have no "ax to grind" in cases of insolvency, but are interested in obtaining a good dividend for creditors as a whole.

Collections at Lower Cost

Then there is the Collection Dept. This end of the Association's work is capably handled by men trained in making collections, and from my experience, the work is done in an efficient and conscientious manner. In fact, that end of the Association work must be done efficiently in order that the Collection Dept. may be successful, for the only revenue obtained is a percentage of collections made.

Often a claim against an estate is not of sufficient size to warrant time and expense on the part of the individual creditor, nor on the part of the creditor's attorney, if he has one, unless the attorney has other claims of some size. The Collection Dept. of the Credit Men's Association usually receives several claims against a failure of any size, and therefore is justified in spending time and money investigating the case and in directing matters toward the interest of creditors.

How NACM Serves The Nation



KEY TO SERVICE MAP

Red—National Officers and Offices.
Black and White Circles—Associations Affiliated in N.A.C.M.
Black and White Circles with White Dots—Branches of Affiliated Associations.
Star in Circle—Development Fund Contributors.
Slant Lines in Bar—National Institutes of Credit.
Vertical Lines in Bar—Adjustment Bureaus.
Dots in Bar—Credit Interchange Bureaus.
Long Bar Above New York—Executive, Treasury, Sales Promotion, Public Relations, Credit and Financial Management, Publications and Forms Depts.
Initials at Washington—N.L.C. (Natl. Legislative Com.) W.S.B. (Washington Service Bureau).
Initials at Chicago—Natl. Adjustment and Collection Bureaus.
Initials at St. Louis—Central Credit Interchange Bureau.
Red Diamonds—Fraud Prevention Operations.

In this way, and only in this way, can the Association benefit, as their remuneration is a percentage of the dividend paid. In large cases I have known them to handle claims on a very low charge basis, much lower than the usual fee. This is in line with the spirit of the organization, which, as was mentioned before, is a non-profit one, and a cooperative body.

The National Association is the tying cleat between production and sales and net profits—the objective of legitimate business

Then there is the Fraud Prevention Department, which devotes its entire effort toward preventing unscrupulous debtors from defrauding creditors. How well this department has functioned is indicated by the fact that it has accounted for 1640 convictions since its inception in June of 1925. These 1640 individuals were people charged with commercial fraud, most of whom can be classified as racketeers, whose sole purpose in entering business was to defraud their creditors. If you have ever tried to convict *one* such individual you know what an accomplishment 1640 convictions amounts to.

For the close watching of proposed legislation that might affect the credit end of business, a Bureau is maintained at Washington supervised by a man who is well qualified for the contacts necessary in work of that kind. Supplementing this are legislative committees in all of the various locals which keep their eyes on what legislation is being enacted in the several states for or against business.

The educational work is primarily for the improvement of the individual credit man, especially the young man in the Credit Department trying to fit himself for a better position.

Intangibles of Great Value

From my viewpoint the intangible value of the Credit Men's Association is extremely important. If one is an active member in the Association, it is necessary that he rub shoulders with other credit men and with the management of the local Association. This is a highly valuable contact that cannot be measured in dollars and cents, but I believe any credit man with that contact will tell you that it is worth a great deal to him, because of its educational value in the handling of credits and collections, and the actual information received from it.

In the contact with the management of the local Association, you have the benefit of the experience of trained men—specially in connection with the difficult phases of a credit man's work, such as getting the experience of other creditors of a prospective account when additional information is needed to open the account, the collecting of bad accounts, and the handling of insolvenies.

So many small and medium sized business concerns do not or cannot maintain their own Credit Departments. The credit and collection end of the work in such concerns is often handled by the Treasurer, or by the Office Manager, who has many other duties to look after. The advice of the Secretary of the local Association, or of the man in charge of collections at the local collection bureau, or of the person in charge of the Adjustment Bureau is of very great value in handling credits and collections, especially to those who may also have other duties to perform.

Business is so complex that centralized service for the benefit of many, exchange of information and ideas between business men, and other cooperative activities are absolutely necessary for the best results. The National Association of Credit Men, as an organization, performs an unbiased, unpartisan service for manufacturers wholesalers, and bankers of the United States. It is not a body interested in any particular type of business, but in business as a whole.

My experience with Procter & Gamble which, if you will permit me to say so, I think is a very well run concern, has taught me the value of control in all parts of a business. If proper caution and control are exercised in the credit end of a business before credit is granted, the task of collection later is greatly simplified. Careless or incomplete investigation, and casual credit appraisal is very likely to be followed by collection difficulties and frequently by costly experiences, with both creditor and debtor embarrassed by the creditor's failure to establish the new account on a sound basis.

No doubt you have heard the statement to the effect that "Your judgment is no better than your information." This has been stated by the Credit Men's Association in another way. One of their slogans is "Poor information, and not poor judgment, causes most credit losses." This is very true indeed, and I for one believe that a credit man cannot have too much information. The Credit Men's Association is a logical and efficient medium for the gathering and exchange of information between business concerns eligible to its membership. They should take advantage of that medium.

Stamp Taxes on Legal Documents

Survey of "Nuisance" Levies in Various States

By William C. Porth, Associated with Gregory, Stewart & Montgomery, New York City

The stamp tax laws of the states of Texas and Maryland enacted in the 1939 legislative sessions have prompted inquiries as to the laws of other states relating to this subject. It is surprising to find that few states have resorted to this medium of raising revenue perhaps because of the antipathy toward the stamp tax from our colonial heritage, perhaps too because its potentialities as a revenue raiser are not particularly promising, while it constitutes, if not a burden on the free and orderly transactions of business, at least a source of inconvenience and annoyance.

The consideration of this subject will be limited to state taxes in connection with chattel mortgages, conditional sales, negotiable instruments and documents in general commercial use. The federal taxes on conveyances of real estate, and the various excise taxes, duties, taxes on stock transfers, inspection stamps and the like, whether state or federal will not be treated. In view of the inquiries as to taxes on chattel mortgages and conditional sales contracts, however, the laws of all of the states which impose a tax of any kind on such documents will be reviewed.

Alabama [1]

Chattel mortgages and conditional sales contracts are taxable at the rate of 15¢ for each $100, or fractional part thereof, of the indebtedness secured by the instrument. The statute is also applicable to real estate mortgages, deeds of trust and instruments of like character given to secure the payment of any debt, which conveys any real or personal property. This privilege or license tax, as it is called, is payable to the recorder before the instrument is offered for record. Apparently the tax is not payable unless the instrument is offered for record in Alabama, and affects property located within the state.

Florida [2]

A documentary stamp tax is imposed on promissory notes, non-negotiable notes, written obligations to pay money, assignments of salaries, wages or other compensation, *made, executed, delivered, sold, transferred or assigned in the State of Florida,* and for each renewal of the same. The rate of tax is 10¢ for each $100 of the indebtedness or obligation evidenced by the document. Tax is not payable on fractional parts of $100 except on the first $100. Thus the tax on an instrument evidencing an indebtedness of $50 is 10¢, $150—10¢, $200—20¢. The attorney general, in an opinion, has ruled that the tax is applicable to chattel mortgages and conditional sales contracts but not to assignments of conditional sales contracts. He has also stated that where a chattel mortgage or conditional sales contract contains the promise to pay in the body of the instrument the stamp should be attached to the instrument, if the indebtedness is not evidenced by another note or separate instrument. If there is a separate instrument or note, the stamp should be affixed thereto and not to the mortgage or contract. The tax is payable only on the deferred balance. Thus on a $1,000 sale, on which $200 is paid in cash and $800 secured by a conditional sales contract, the tax will be payable on the $800. Taxes are not payable for renewals of instruments, if the amount of the obligation is not increased. Tax stamps are available at certain banks, the comptroller's office, and the clerks of the Circuit courts. The affixing of a stamp to an instrument is not a prerequisite for filing or recording the instrument. The statute provides, however, that the clerks of the Circuit Courts (recording officers) shall report the names and address of all persons who record instruments without affixing the proper amount of stamps. The stamps must be cancelled by the person affixing them to the instrument by writing his name, or initials, and the date across the face of the stamps.

Indiana [3]

The General Intangibles Act imposes a stamp tax at the rate of 5¢ for each $20 or fractional part of *current* intangibles, and a tax at the same rate on *annual* intangibles for each year or fractional part of a year. Intangibles are defined to include written instruments evidencing and/or securing a debt not otherwise evidenced, including mortgages, chattel mortgages, bills of sale and conditional sales contracts. A *current* intangible is one that will mature, be paid or discharged within one year from the date of making. All others are *annual* intangibles. The tax is payable only by those persons residing or have a domicile in Indiana, and only on such intangibles as are located within the state. Tax must be paid before instrument may be recorded. Failure to pay tax involves a penalty of four times the current tax for each year together with interest thereon at 10 per cent.

[1] General Acts of Alabama (1935) Schedule 94, page 477.
[2] Compiled General Laws of Florida, Section 1279 (111-118).
[3] General Intangibles Act of 1933, Acts 1933 Chap. 81, Acts 1935, Chap. 294.

Kentucky[4]

A tax of $1.00 is imposed on each deed or power of attorney to convey real or personal estate; on each mortgage or conveyance of personal property; on each lien or conveyance of coal, oil, gas or other mineral right or privilege. This tax is not payable on a chattel mortgage unless the amount thereof is in excess of $200. This tax is apparently payable at the time of recording the instrument.

Maryland[5]

A tax is imposed upon every instrument of writing conveying title to real or personal property, or creating liens or incumbrances on real or personal property, which is offered for record and recorded in Maryland with the Clerk of a Circuit Court or the Superior Court of Baltimore City. (The Clerks of the Circuit Courts and Superior Court of Baltimore City are the officers with whom conditional sale contracts, mortgages and liens are recorded under Maryland law.)

The instruments on which this tax is payable are defined by statute to include deeds, mortgages, chattel mortgages, bills of sale, leases, deeds of trust, contracts and agreements, *but not to include* mechanic's liens, crop liens, purchase money mortgages, assignments of mortgages, conditional sales contracts, judgments, releases or order of satisfaction. Prior to October 1, 1939 the tax was payable on conditional sales contracts but the 1939 law expressly exempts these contracts from the tax. Where a seller prefers to use the chattel mortgage form of title retention contract in lieu of a conditional sales contract he will not be required to pay the stamp tax since the act exempts purchase money mortgages from the tax. In using a purchase money chattel mortgage the seller should indicate in the body of the mortgage that it is given to secure the payment of the purchase price of the chattels sold to the mortgagor.

The tax is payable in the form of stamps, which may be secured from the recording clerk to be affixed to the instrument before recording. The rate of tax is 10¢ for each $100 of the actual consideration paid or to be paid according to terms of the instrument, or, if it is an instrument to secure a debt, 10¢ for each $100 of the principal amount of the debt secured. Apparently the tax is not payable on fractional parts of $100. In addition to this tax, there is a 50¢ tax payable to the recorder for each instrument recorded by him upon which the stamp tax is payable. Where the tax has been paid at the time of recording in one county, no tax is payable for the subsequent recording of a copy of the instrument in another county. Neither is a tax payable where a new instrument is filed to secure the same obligation, without increasing the obligation or involving any new consideration where such new instrument merely corrects, confirms, modifies or supplements an instrument previously recorded; or conveys or pledges property in addition to, or in substitution for the property originally conveyed or pledged; *provided* that the amount of the debt to be secured is not increased. If it is desired to increase the amount of a debt previously secured by a recorded instrument, a tax is payable on the amount of such increase at the same rate as on the original instrument. A verified statement is required to be filed by the debtor, with the recording clerk, showing the amount of such additional debt.

The statute not only provides that the payment of this tax shall be prerequisite to the recording of any instrument to which it is applicable, but also makes it a penal offense to record an instrument without payment of the tax or to misrepresent the amount of actual consideration in any such transaction.

New Mexico[6]

Although New Mexico has no general tax law imposing a tax on legal documents, the 1939 legislature enacted a law requiring the payment of a tax for filing or recording chattel mortgages, conditional sale contracts and other instruments. A tax levied at the rate of 50¢ for each instrument filed for record in the office of a county clerk, and 25¢ for each instrument that is filed but not recorded. The tax is payable to the County Clerk at the time of recording. It is a tax on the privilege of recording or filing such instruments and the law expressly provides that it is levied on the grantee, mortgagee or person in whose favor any such instrument is drawn and shall be paid by him, and not passed on to grantor, mortgagor or other person signing such instrument.

Oklahoma[7]

There is no general documentary stamp tax law in Oklahoma. There is a tax on notes of any duration of over eight months and on bonds and other choses in action evidenced by writing located in the State of Oklahoma. The tax, at the rate of 2% of the face amount for a five year period (or for a longer or shorter period at the option of the owner of the instrument at the same basic rate of tax), is payable to the county treasurer of the county in which he resides. The city treasurer places upon such notes, bonds or other choses in action evidenced by a written document, an endorsement evidencing the payment of such tax, the date paid and the period for which taxes have been paid thereon. The bonds, notes and choses in action held by a banking corporation, which pays a capital stock tax, are exempt from taxation. They are also exempted from tax if owned by a non-resident of the State of Oklahoma, unless the written instruments are located within the state.[8]

Failure to pay the tax subjects the owner of the bond, note or other chose in action evidenced by a writing to a penalty of 5% of the face value thereof in addition to the tax. The law also prohibits the introduction of such a writing in evidence on a trial if the tax has not been paid thereon. However, the tax may be paid at any time prior to its introduction in evidence, even after the trial has commenced.[9]

Pennsylvania

The state imposes no tax on documents. The City of Philadelphia, by ordinance, has imposed a documentary stamp tax on conditional sales contracts, bailment leases and chattel mortgages. The tax is 5¢ for each $100 or fractional part thereof, of the value represented by such documents.

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[4] Kentucky statutes—Sec. 4238.
[5] Annotated Code of Maryland—Article 81, Sec. 213—Laws of 1939, Chapter 277.
[6] Laws of 1939, Chapter 112.
[7] Oklahoma statutes—Sec. 12363.
[8] *McIntosh v. Advance Rumely Thresher Co.*, 117 Okla. 248.
[9] *Jones v. First Nat. Bank*, 102 Okla. 185.

South Carolina [10]

Documentary Stamp taxes are imposed on written obligations to pay money at the rate of 10¢ for each $100 of value represented by such documents. Conditional sales contracts and chattel mortgages are subject to this tax unless the tax is paid upon a separate note evidencing the obligation to pay money.

Texas [11]

The Texas statute as amended by the laws of 1939, effective April 27, 1939, imposes a documentary stamp tax on all notes and obligations secured by a chattel mortgage, conditional sales contract, mechanic's lien contract, deed of trust, vendor's lien, and all instruments of a similar nature which are filed or recorded in the office of the County Clerk of any County in Texas. The tax is payable at the rate of 10¢ for each $100 or fraction thereof of the amount of such notes or obligations. No tax is payable if the amount of such note or obligation is $200 or less. Stamps must be affixed to documents to which the tax is applicable prior to filing or recording. If the document to be filed or recorded is security for an obligation, which obligation is secured also by property located outside the state of Texas, the tax is payable only on the value of the property located in Texas in the proportion that such value bears to the total property securing such obligation. Thus, a chattel mortgage in the amount of $500, which is secured by two machines, each worth $300, one of which is located in Texas and the other outside of the state, would be subject to a tax on only $250 of such obligation. The value of the property in Texas is one half of the value of the entire security and the tax is therefore payable on one half the total amount of the obligation evidenced by the mortgage. The value of such mortgaged property located out of the state is determined by the County Clerk on the basis of affidavits which he may require of the person seeking to record such mortgage. Once the stamp tax is paid no additional tax is payable for extension or renewal of the instrument. Stamps are available at the office of the various county clerks and the State Treasurer.

Virginia [12]

A tax is levied on every contract relating to personal property which is admitted to record, at the rate of 12¢ per $100, or fraction thereof, on the amount of the obligation secured thereby. This tax is applicable to chattel mortgages but not to conditional sales contracts. The clerk in whose office the instrument is first recorded must collect this tax before recording. The instrument may subsequently be recorded in any other recording office, or a supplemental instrument changing the security for the obligation may be recorded, without payment of any tax thereon.

Readers are also referred to the Section in the 1940 edition of CREDIT MANUAL of Commercial Laws dealing with Conditional Sales and Chattel Mortgages for more complete information about the filing fees required for these two forms of sales documents.

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[10] South Carolina Code—Sec. 2525.

[11] Vernon's Annotated Texas Statutes, Art. 7047e; Laws 1939, Senate Bill No. 24.

[12] Tax Code—Sections 121, 122.

Selling the Credit Department to the Sales Organization.

(*Cont'd from p. 9*) us consider the personal interview.

Friendly Spirit Prevails

Throughout the interview the Credit Manager must manifest his friendly, co-operative attitude. The customer realizes that he is entitled to the money and in the vast majority of cases the customer wants to pay the bill but is facing the stone wall of inability. At that point constructive suggestions by the Credit Manager will be gratefully received. The customer will not be insulted and have a reaction that "this fellow is butting into my affairs." On the contrary, having been worrying alone over his business problems, he will be grateful for friendly suggestions. Through this method the credit executive has gotten himself on the "inside track" with the debtor. Accordingly he becomes a preferred creditor and if his suggestions are followed the account in all probability will be saved, the payment condition will improve, and a personal relationship will have been established between the customer and the Credit Manager that will result in materially increased sales preference for the House on the part of the customer.

When to "Get Rough"

It is, of course, impossible for any Credit Department, no matter how progressive and salesminded, to retain friendly and happy relationships with all accounts. There are those customers who will not accept suggestions. There are those who have no real feeling of financial integrity. With this type a rough hand must be used in order to prevent losses. Friction will result even though payment is made and the probability will be that competition will get the business. Such cases, however, amount to nothing. Their percentage is comparatively small and competition will have the same trouble with them and the same headache and ultimate ill will. On the other hand, it is not illogical to expect that, with those customers who make satisfactory outlets, the Credit Department will actually have less friction than the Sales Department itself. The Credit Department cannot commit the sin of overselling a customer. The Credit Department will not be held responsible for defective merchandise. The Credit Department will not be guilty of slow shipments and cases where items have to be back ordered for one reason or another. Therefore, it is not at all beyond the bounds of reason to feel that with responsible customers more irritation will be caused by any department other than the Credit Department.

It is possible that some readers of this article will feel that a modern Credit Utopia has been sketched, an El Dorado far beyond the bounds of reason. The fact, however, that there is a strong trend toward sales minded Credit Departments proves, beyond dispute, that they are tremendous assets to their firms. Credit Department goodwill and increased losses are not synonymous. "Sugar catches more flies than vinegar" and friendliness achieves far more results than bullying and suspicion.

Dangers Lurking in "Spot Stocks"

Corporation Trust Company Warns of Conflict With State Corporation Laws

A recent announcement by the Corporation Trust Company of New York presents some valuable information about the dangers surrounding shipments from "spot stocks" maintained by manufacturers in states in which they are not regularly licensed to do business. In connection with the points brought out by the Corporation Trust Company, our readers are also referred to page 28 in the 1940 edition of Credit Manual of Commercial Laws under the title of Foreign Corporations and especially the paragraphs on pages 32 to 37 inclusive. The points raised by the Corporation Trust Company are as follows:

A feed-manufacturing company in Minnesota recently found itself losing the trade of many old and valuable customers in distant states. Investigation showed that the reason lay, not in the company's product, or its prices, or its terms—but simply in the fact that certain competitors, carrying spot stocks at strategic shipping points, were able to beat the Minnesota company on deliveries by a week or more.

This, it was found, had made it possible for the company's old customers to buy in small quantities and keep a much smaller investment in goods.

Customers Buy More Frequently

A similar experience was undergone by a large eastern canner. It found old customers in the west and middle west drifting away from it. The case of one (a chain of restaurants) was typical: Formerly the canner had sent its salesman to the buying headquarters of this chain about October of each year with samples of all new packs; all samples were submitted to the buyer's usual tests, selections made, and a contract placed for the entire year's supply. Now, however, the buyer, his own business being bad and finding that other canners kept spot stocks in warehouses either in his own or nearby cities, was buying in hand-to-mouth quantities. He could place small orders on Saturday and get delivery by the following Tuesday. Thus both storeroom space and capital investment in large stock were saved.

So in almost every line of merchandising this modern buying policy—hand-to-mouth buying some call it—is growing.

The one answer to it being found by the manufacturers and distributors is—spot stocks at the big buying centers to permit quick deliveries on even the smallest size orders.

But with that solution of the competitive situation enters a new problem: that of corporate authority for making sales in a state of goods already stored in that state.

Any manufacturer who feels required by present-day conditions to switch from the old method of shipping all goods from the home plant to the new basis of keeping spot stocks at strategic points in different states, and making local deliveries from the warehouse or his own or agent's storeroom, should do so only under the guidance of his lawyer.

The loss sustained by a fertilizer company which shipped its product in carload lots to a Florida agent and then filled the sales of its Florida salesmen from that stock illustrates the point. From one of its Florida customers to whom a bill of goods was sold in that way, a note was taken for the amount of the bill. The customer did not pay his note when it came due and the company brought suit. The Florida courts, however, held that the company, not having complied with the state's laws by qualifying to do business as a foreign corporation in the state, could not maintain an action in the courts of the state (The Reliance Fertilizer Co. v. Davis, 169 So. 579).

Could Not Even File Suit

The amount of the note which was lost by the corporation was a matter of only one or two hundred dollars but the way of losing it—being debarred from even maintaining suit for it—was a shock.

"When the fertilizer was delivered from the shipper," said the Supreme Court of Florida, "to the shipper's agent in Florida it thereupon lost its interstate character and became an article of merchandise to be disposed of in intrastate commerce . . ."

Well, what does that mean? "What," says the practical business man, "has this talk of 'interstate' and 'intrastate' got to do with my business?" And if he is a food or feed or garment or machinery or some other type of manufacturer, he may go on to say, "Why should I be concerned with the troubles of a fertilizer manufacturer?" And if his business is in another part of the country, he may say, "I'm not doing any business in Florida, what has a Florida case to do with me?" In a nutshell it is this:

We have mentioned the difficulties of this fertilizer manufacturer in Florida only because they so pointedly illustrate how necessary is a lawyer's advice when the question of spot stocks is being considered. Records of similar troubles may be found in the court records of nearly every state in the country. They may be found to involve not only fertilizer manufacturers but manufacturers or distributors in practically all lines. They may be found to involve not only small sized notes and open

accounts, but notes and open accounts running into thousands of dollars. The principle is one not concerned with the kind if merchandise being sold, or the sections in which sold, or the amounts of money involved—but of law.

A Creature of State Law

Keep in mind that a corporation is a creature of law.

The privilege of acting as a corporation is one granted by a state law and that privilege can run no farther than the boundaries of that state. A corporation's charter permits it to do business in its own state, and through the commerce clause of the Federal Constitution no other state may interfere with its right to do interstate business. But nothing either in its own state laws or in the Federal Constitution gives it the authority to act as a corporation, and do business as a corporation, wholly within the borders of another state. To do that it must obtain permission from that second state—which is what lawyers call "qualifying to do business as a foreign corporation."

Now when the company mentioned in the Florida case—and it could just as well be your company and just as well be any other state—was sending its salesmen or agents into Florida and taking orders for the goods which it manufactured in its own home state and then shipping those goods to the Florida customers and collecting the bills, all was easy. No one questioned that as being anything but interstate business—business being done between two states.

Required Local State License

But when the company stored goods in Florida, and filled its orders in that state out of that store of goods in the state—that was a horse of another color. That, said the court before which it was taken, was no interstate matter—it was the sale in Florida of goods in Florida—Florida business—what courts and lawyers call intrastate, as contrasted with interstate.

The authority they most frequently cite for it is the opinion of the Supreme Court of the United States (Sonneborn Bros v. Cureton 262 U. S. 506) in which Chief Justice Taft said, "The question we have to decide is whether oil transported by appellants from New York or elsewhere outside of Texas to their warerooms or warehouse in Texas, there held for sales in Texas in original packages of transportation, and subsequently sold and delivered in Texas in such original packages, may be made the basis of an occupation tax upon appellants. . . . Our conclusion must depend on the answer to the question: Is this a regulation of, or a burden upon, interstate commerce? We think it is neither. The oil had come to a state of rest in the warehouse of the appellants and had become a part of their stock with which they proposed to do business as wholesale dealers in the state. The interstate transportation was at an end . . ."

"State of Rest" Rule

Note that well: The goods "had come to a state of rest . . . the interstate transportation was at an end . . ."

Citing that opinion of the Supreme Court of the United States, the Florida Supreme Court said in effect to the corporation which came to it for collection of its note, "You're a corporation from an outside state and as you keep goods stored in Florida from which you sell to Florida customers, you're here in Florida doing Florida business. Have you qualified to so do?" and the corporation having to admit that it hadn't, the court then cited the Florida foreign corporation laws which, like the foreign corporations laws of most other states, provide that a foreign corporation doing intrastate business without being qualified to do so may not maintain an action in any one of the state's courts.

"Unjust," you may say. "A nuisance!" And when we come flat up against a state court's refusal, for instance, to let us maintain a suit for a just debt in the state and we find ourselves losing three or four or five thousand dollars because our company had neglected to qualify as a foreign corporation; or when one of us finds that a judgment by default in a flimsy damage suit has been given against our company without our having had notice of it and a chance to defend and there is no way to get out of it because our company did not have an agent designated in the state for service of process; or when we find our company fined $12,000, as was one company recently in Michigan, for having done business in the state before qualifying—when we come flat up against some such penalties slapped irrevocably upon us, there does seem to be some justification for resentment. But we must look at it this way:

48 Corporation Laws

In this country we have 48 different states, each with its own corporation laws. There are, therefore, bound to be some restrictions to be observed and requirements to be met by corporations organized under one state's laws and doing business under the laws of other states, and we have just got to watch out for those restrictions and requirements.

But that watching-out process is not nearly as much of a nuisance as it sounds.

You can practically cover it all in one simple action: Tell your lawyer when you extend your business to an outside state or change your method of handling business in such a state.

You will learn from him that the foreign corporation laws of the various states and all the requirements that they exact are merely efforts to protect their own citizens. For instance, when a corporation from the state of X changes its methods from those of interstate commerce and begins to do intrastate business in the state of Y, enjoying rights as a corporation under the protection of Y's corporation laws, Y through its foreign corporation requirements simply says, "Come forward first and tell us just who you are, how responsible you are for any contracts you take from our citizens and exactly where one of our citizens can put his finger on you if he needs to; and contribute your fair share of the corporation taxes as our own corporations have to do."

Demands Not Unreasonable

Now, that is not unreasonable. It is asking no more of a corporation of another state than that corporation's own state asked of it when it was organized.

Of course, in forty-eight different sets of requirements there will be reflected the ideas of forty-eight different kinds of legislative and administrative minds. And it must be admitted there are some wide variations among the forty-eight. But any corporation official will find that to his own lawyer all those various requirements, and all the differences among them, will be an open book.

BOOKS

GOVERNMENT AND ECONOMIC LIFE. By L. S. Lyon, M. W. Watkins and Victor Abramson. The Brookings Inst., Washington, D. C. $3.00.

Since there has always been and there most likely always will be some measure of government operation or regulation of business, it is important that we understand the means and the reasons for such operation or regulation. To further this understanding, three members of the well-respected Brookings Institution have prepared "Government and Economic Life," in which are discussed current issues of American public policy as it affects commerce and industry.

Specifically, the authors first analyze the instruments which government provides or allows for the conduct of private enterprise—such as the corporate form of organization, bankruptcy procedures, patent provisions, monetary mechanisms, labor dispute adjustment agencies as well as the provision of various standards and the creation and dissemination of information. Then, they study the rules by which government regulates private industry—such as anti-trust acts, labor policy regulations, etc.

The limited confines of this review do not allow a full discussion of the book but it should be noted, before closing, that the fifth chapter, concerning the nature and economic significance of bankruptcy and reorganization policy as well as current issues and proposals in this field, is worth the close attention of every credit and financial executive who receives this magazine.

SMILING

When you're feeling kind of blue,
  Try smiling—
When the world goes back on you,
  Try smiling—
When you know you do things right,
Sure, it's hard, but then you might
  Try smiling.
Doesn't change the things, of course,
  Just smiling—
But it cannot make them worse,
  Just smiling—
And it sort of helps the case
Brightens up a gloomy place,
Then it sort o' rests your face,
  Just smiling.

—*Meredith Imprint.*

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It is estimated that over $100,000,000 in NEW loans were based on Field Warehoused Collateral during the past year That represents a *trend!*

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(2) *Releases* tied-up dollars without removing the inventory.

(3) Makes needed money quickly available, on favorable terms.

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San Francisco, Cal. Los Angeles, Cal. Memphis, Tenn. Cleveland, O. Cincinnati, Ohio

Why Not a Cash Forecast?

Quite as Important as Sales Estimates

By George T. Trundle, Jr., President The Trundle Engineering Co., Cleveland

Today it has become practically standard procedure for a company to endeavor to estimate, with some degree of accuracy, the volume of business which it expects to do during the year ahead.

Whether this estimate consists of a few figures hastily penciled on a memorandum pad, or whether it consists of a carefully worked out tabulation, on a month-by-month basis, founded upon painstaking research, it is nevertheless a sales forecast.

Since sales forecasting is inevitable, it would seem a matter of sound business practice to do the job just as thoroughly and completely as it can possibly be done.

A company which makes a haphazard sales estimate, and then proceeds along the lines there indicated, is in fact merely "following a hunch."

But a company which has worked out a detailed statistical sales forecast is now in a position to operate upon a definite plan, under a system of controls set up in accordance with this plan. Once sales have been carefully estimated, month by month, all of the other phases of the company's activities can likewise be planned month by month in accordance with this estimate.

Cash Forecast Important

One of the most useful tools of management that can be developed out of the sales forecast is the cash forecast.

There is a great difference between cash and net worth—a great difference between cash and receivables. In order to operate, a company must have cash. In order to turn out production, a company must have men at work and money at work. Cash represents money actually at work; and it is just as necessary as men and equipment.

A man who finds himself in a strange town without a penny in his pocket is certainly in a predicament. He may have $50,000 on deposit at his bank; but unless he can cash a check, he can't eat, buy gasoline, get a newspaper or have his shoes shined. A business is just as badly off. The fact that it cannot meet payroll is sufficient to indicate the nature of the quandary in which a business finds itself when its cash runs out.

When business in general is going downhill, when a company begins to experience a falling off in business, it naturally begins to think carefully about its cash position. On the other hand, when business in general is going uphill and when a company finds its sales steadily mounting, it is not so much inclined to worry about cash.

But it is this latter situation which often brings the matter of cash suddenly to a crisis; and which makes the cash forecast of particular importance to the companies whose businesses appear to be headed for greater prosperity.

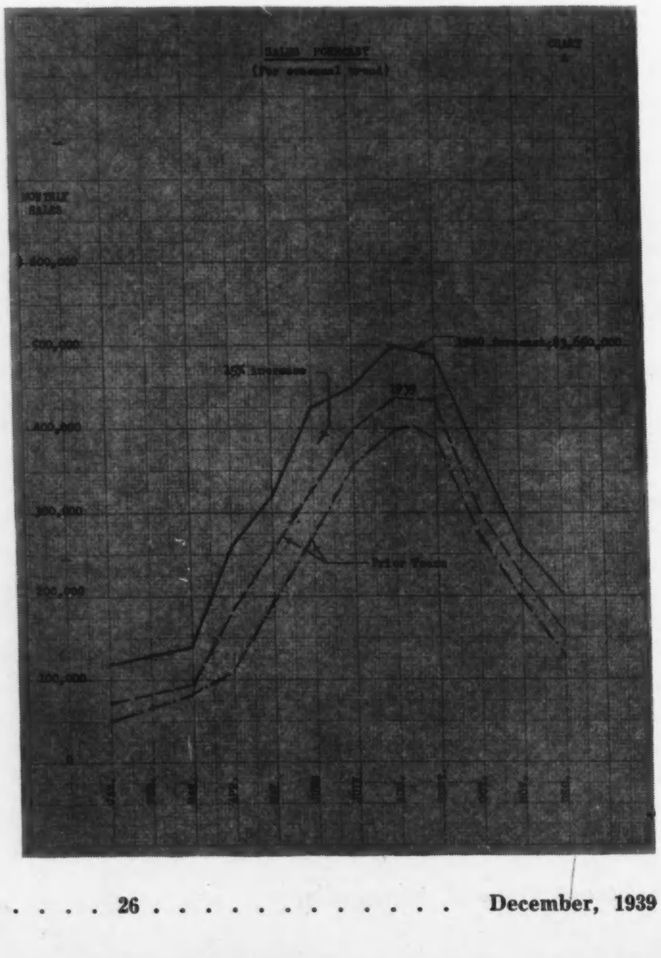
The fact is that it is just about as easy to run out of cash with a rapidly expanding business as with a rapidly declining business. To put it in another way—as volume increases, more working capital may be required, and the additional money may not be realized from sales in time to take care of immediate needs. The result is that a company may suddenly find itself "broke" in the very middle of prosperity.

Shows How Cash Will Be Needed

The great usefulness of the cash forecast is that it indicates in advance, month by month, how much cash will be required. It will show in advance whether or not money will need to be borrowed, and if so, approximately when and in what amounts.

These facts are of inestimable value to a company—especially one which experiences seasonable variations.

Our purpose in this article is to illustrate, as simply as possible, a method by which a workable cash forecast can be set up.



Take the case of a company whose business shows a typical seasonable variation, usually rising in volume from January to August and then declining by the end of the year.

First, of course, this company makes its salesforecast by estimating the trend of the industry as a whole, and by studying its own market. It arrives at the conclusion that its total volume of sales in 1940 will show a 15% increase over 1939. The company then charts the seasonal trend of this anticipated volume upon the basis of its past experience (See Chart "A").

On the basis of Chart "A", the company is now in a position to make the cash forecast shown on the opposite page.

To make the illustration as simple as possible, let us assume that the company sells on a cash basis, and buys materials on a cash basis. Let us assume that it aims to end the year with approximately the same inventory it had at the beginning of the year. Let us assume furthermore that on January 1, 1940, its cash on hand amounts to $100,000.

Items In Cash Forecast

Now let us consider the items of the cash forecast in consecutive order.

Item 1—income from sales—is based upon shipments, following the trend indicated by Chart "A".

Item 2 indicates monthly volume of production. Note that during the fore part of the year the company must maintain production at a volume considerably above shipments, in order to prepare for the Summer's sales peak.

Item 3—labor—is estimated at 10% of the value of production, and item 4—materials—at 40%.

Item 5—burden—is simply a lump estimate of all additional items of manufacturing cost, such as insurance, maintenance and repairs, certain supervisory salaries, some indirect labor, etc. In this case the fixed expense in the "burden" is estimated at about $30,000 a month, and the variable expense as just about equal to the cost of labor. Consequently the burden, through the year, represents an amount equal to the monthly cost of labor plus $30,000.

From item 6—total manufacturing cost—must be subtracted non-cash items (item 7) such as depreciation, amortization, etc., which have no direct bearing upon the company's cash position.

Item 8, therefore, represents cash manufacturing cost.

Note that item 9—selling expense—is calculated on the basis of a fixed expense of $25,000 a month plus a variable expense amounting to 5% of total sales. Administration expense—item 10—remains fixed at $20,000 a month.

From the sum of these two, listed as total commercial expense (item 11), must be subtracted non-cash items (item 12), such as reserve for bad accounts, losses, etc., which do not directly affect cash—leaving item 13, termed in the cash forecast "cash commercial expense."

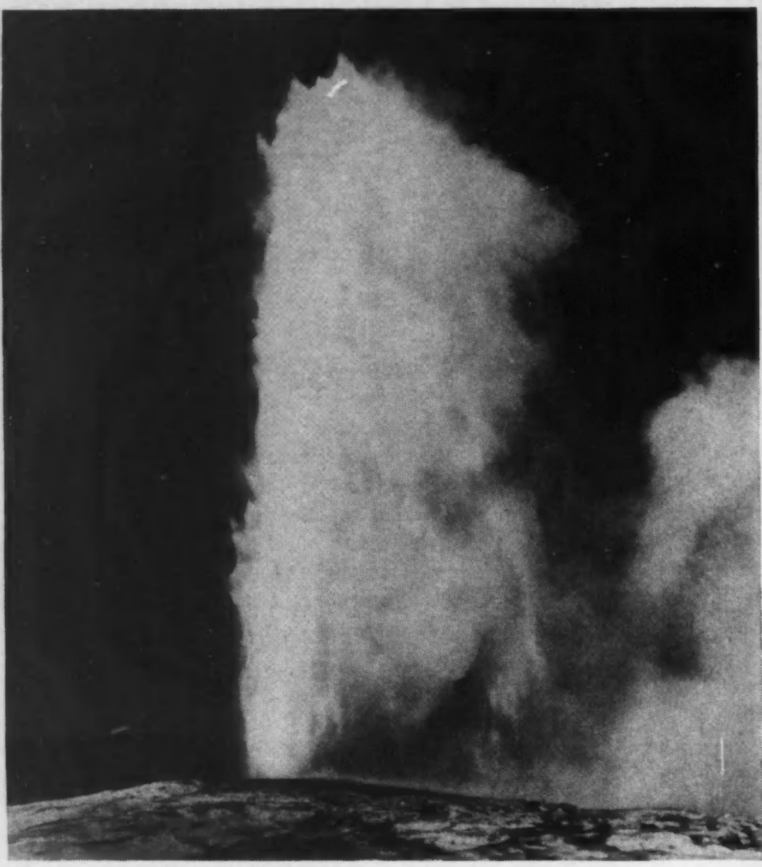
The sum of cash manufacturing cost (item 8) and cash commercial expense (item 13) gives total cash cost (item 14). This figure represents the actual amount of cash which the company will need, from month to month, to carry on its business in accordance with the sales forecast.

Item 15 shows cash gain or loss, and shows what will be the effect of each month's business upon the company's cash position.

1940 CASH FORECAST

Line No.	Item	January	February	March	April	May	June	July	August	September	October	November	December	Total
(1)	Sales (Income)	$115,000	$125,000	$135,000	$260,000	$320,000	$425,000	$450,000	$500,000	$490,000	$370,000	$260,000	$200,000	$3,650,000
(2)	Production	200,000	200,000	250,000	300,000	300,000	300,000	400,000	450,000	400,000	400,000	250,000	200,000	3,650,000
(3)	Labor (10% of Item 2)	20,000	20,000	25,000	30,000	30,000	30,000	40,000	45,000	40,000	40,000	25,000	20,000	365,000
(4)	Material (40% of Item 2)	80,000	80,000	100,000	120,000	120,000	120,000	160,000	180,000	160,000	160,000	100,000	80,000	1,460,000
(5)	Burden ($30,000 plus 100% of Item 3)	50,000	50,000	55,000	60,000	60,000	60,000	70,000	75,000	70,000	70,000	55,000	50,000	725,000
(6)	Total Mfg. Cost	150,000	150,000	180,000	210,000	210,000	210,000	270,000	300,000	270,000	270,000	180,000	150,000	2,550,000
(7)	Less non-cash items	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
(8)	Cash Mfg. Cost	140,000	140,000	170,000	200,000	200,000	200,000	260,000	290,000	260,000	260,000	170,000	140,000	2,430,000
(9)	Selling Expense ($25,000 plus 5% of Item 1)	30,750	31,250	31,750	38,000	41,000	46,250	47,500	50,000	49,500	43,500	38,000	35,000	482,500
(10)	Administration Expense ($20,000)	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	240,000
(11)	Total Commercial Expense	50,750	51,250	51,750	58,000	61,000	66,250	67,500	70,000	69,500	63,500	58,000	55,000	722,500
(12)	Less non-cash items	1,150	1,250	1,350	2,600	3,200	4,250	4,500	5,000	4,900	3,700	2,600	2,000	36,500
(13)	Cash Commercial Expense	49,600	50,000	50,400	55,400	57,800	62,000	63,000	65,000	64,600	59,800	55,400	53,000	686,000
(14)	Total Cash Cost (Item 8 plus Item 13)	189,600	190,000	220,400	255,400	257,800	262,000	323,000	355,000	324,600	319,800	225,400	193,000	3,116,000
(15)	Cash Gain or (Loss) (Item 1 minus Item 14)	(74,600)	(65,000)	(85,400)	4,600	62,200	163,000	127,000	145,000	165,400	50,200	34,600	7,000	534,000
(16)	Cash on Hand or (Short)—Beginning	100,000	25,400	(39,600)	(125,000)	(120,400)	(58,200)	104,800	231,800	376,800	542,200	592,400	627,000	100,000
(17)	Cash on Hand or (Short)—End	25,400	(39,600)	(125,000)	(120,400)	(58,200)	104,800	231,800	376,800	542,200	592,400	627,000	634,000	634,000
(18)	Loans to be made	75,000	75,000	100,000										250,000
(19)	Loans repaid							100,000	100,000	50,000				250,000

(1) Income from sales = shipments (cash sales assumed).
(2) Taken at Sales value, annual inventory assumed constant.
(7) Depreciation, amortization, etc. @ $10,000/mo.
(12) Reserve for bad accounts, losses, etc. @ 1% of sales.



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Utmost care cannot *prevent* credit losses, but

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The cumulative effect of cash gain or loss is shown by items 15 and 16, item 16 showing cash on hand or cash short at the beginning of each month and item 17 showing cash on hand or cash short at the end of each month.

Since the company starts the year with $100,000 in cash and suffers a cash loss of $74,600 during January its cash on hand at the end of January will be reduced to $25,400.

Note that during the first quarter the company will continue to run behind its cash requirements until at the end of March its cash deficiency will reach $125,000 and that no relief from this situation is in sight from sales revenues until June.

It immediately becomes evident that the company must, of necessity, borrow money in order to operate in accordance with its sales forecast. The figures, however, show just as clearly that as the year draws to a close a substantial cash increase will have accumulated and that the company will have no difficulty whatever in repaying borrowed money at an early date.

Item 18 indicates approximately the amount of loans which would appear practical under the circumstances and item 19 indicates the dates and amounts by which repayment could be made still leaving the company in a comfortable cash position.

To the executives, charting the course of this company in 1940, the value of this cash forecast is obvious.

But such a cash forecast is still more valuable to a company whose operating picture is not so simple.

For instance—suppose this company were one which sells its products on a time-payment plan. In that case the lag between sales and the realization of the entire sales price would necessitate much more substantial borrowing.

Suppose, due to certain circumstances, a company desires to purchase several months' supplies of certain materials in advance of current requirements. This would also alter the cash picture.

Suppose, from one year end to the next, a company wished to increase or decrease its inventory. This likewise would have to be taken into consideration.

Suppose a company plans a quite substantial expansion; suppose it contemplates doubling its volume of business, making an addition to plant and equipment, doubling both inventory and accounts receivable.

Any one of the above contingencies can be allowed for in the working out of a cash forecast based upon the general principles utilized in the building of the forecast used by way of illustration in this article.

So far I have mentioned the value of the cash forecast only with respect to looking toward the future. Consider it now from the standpoint of a check on operations as the year progresses.

What happens if a company's cash position does not work out in accordance with its cash forecast? Obviously something is wrong. The usual answer is, of course, that sales are not proceeding in accordance with the sales forecast. In this case the proper course of action is obviously to revise the sales estimate for the balance of the year in accordance with the facts, and then in turn revise the cash forecast in such a way as to conform to the revised sales estimate.

But if sales are running in accordance with the sales forecast while cash is not behaving in accordance with the cash forecast, this is a signal for investigation. The company may be allowing too much credit. It may have permitted its costs to get out of line.

Not a Financial "Straight Jacket"

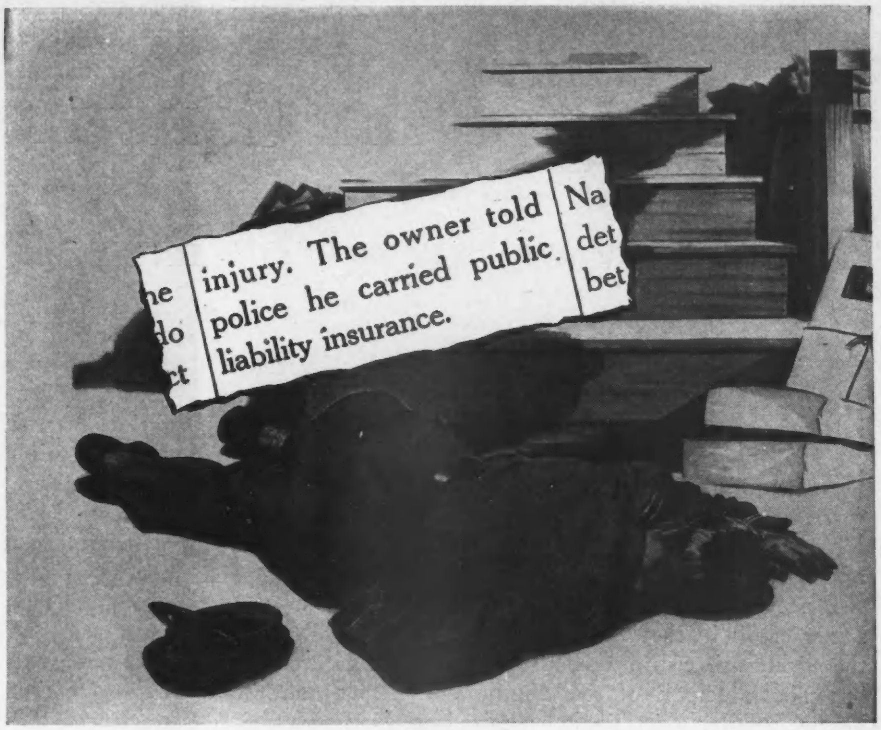
The cash forecast is certainly not to be regarded as a financial straight jacket. It is simply a device for seeing and planning ahead, insofar as such procedure is humanly possible.

Of course a business which shows practically no variation in volume of sales from month to month, which already has a large cash reserve, and which is making a handsome profit, may have little need of a cash forecast. But there are mighty few businesses in that happy situation today. To the average business, the cash forecast represents an invaluable aid in charting the course to be followed during the coming year.

WHAT A DIFFERENCE

A worthy missionary in India had the hymn "Rock of Ages" translated into Hindustani. On retranslation into English by a student, the first two lines bore this inspiring and illuminating aspect:

"Very old stone, split for my benefit, let me absent myself under your fragments."



Yes—but only because of One Man...

You couldn't see O. L. & T.—Owners', Landlords' and Tenants' Insurance. Let the people who come on your property look out for themselves, you said. But your insurance agent finally convinced you you *needed* it badly.

And you did, too! You've thanked this man many times over for his persistence, and for the prompt and equitable way in which the U. S. F. & G. settled the claim for you.

* * *

Your U. S. F. & G. Agent is one of 9,000 located throughout the country. He's in touch with countless business and personal insurance problems. It's his job to help you. Look him up in the phone book, and give him a call, today.

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Dangers in Consumer Credit

Summary of Survey by Russell Sage Foundation

How credit extended to the consumer has changed from a bulwark against depression periods into a dangerously powerful factor in heightening booms and widening and deepening depressions, and what might be done toward controlling this newly potent economic force, are the subject of a report issued by Rolf Nugent, Director of the Department of Consumer Credit Studies of the Russell Sage Foundation.

Dr. Nugent outlines the remarkable growth of consumer credit in the United States from the first half of the nineteenth century when it consisted largely of the "open-book" credit of the country storekeeper and the Yankee peddler to its highly organized present forms typified by instalment financing, small loan agencies, and intermediary agencies of which the public seldom hears.

Instalment selling of consumers' goods began in the furniture field shortly after 1800, rose to importance with its employment in the merchandising of sewing machines about 1850, and was extended on a larger scale to pianos, household organs, books, carriages, and clothing, after the Civil War. In later years such modern inventions as the vacuum cleaner, radio, mechanical refrigerator, and automatic furnace contributed to the growth of instalment selling, but the greatest single impetus came from the expanding market for automobiles between 1918 and 1929.

The forms of consumer credit analyzed in this report include instalment and open-book sales credit, cash loans, and credit for personal service such as medical and hospital care, but exclude real estate mortgages. The total amount of this credit, estimated at about 4.4 billion at the close of 1923, rose to 8.3 billion dollars at the close of 1929. The depression caused a sharp drop to about 4.6 billion in the spring of 1933, after which the credit total began to rise at an accelerating pace until it exceeded 8.5 billion in August, 1937.

Nugent finds evidence that consumer credit acted as a cushion in times of depression during the nineteenth century. The storekeeper, the doctor, sometimes the wholesaler and manufacturer, allowed accounts to run in bad times while individuals and merchants continued fairly normal purchases and uses of services, paying off their accumulated bills when conditions improved. But with the rise of instalment purchasing the tendency has been to spend anticipated income when times are good and wages are increasing. Then, if a depression begins, not only are few new instalment purchases made, but a considerable share of even the reduced current income must be devoted to retiring obligations already contracted.

The author takes issue with many of the still widely accepted theories regarding the effects of consumer credit on the total economy. He believes that substantial increases or decreases in the outstanding amount of such credit, under certain economic and psychological conditions, act with the force of from several to many times the sum originally involved in the expansion or contraction of credit.

Recent cycles of depression and recovery are examined, with allowance for other known factors, in the light of the newly measured fluctuations in consumer credit. Nugent attributes the prosperity of the 1920's to three primary causes: the increase in residential construction, the institutional development of consumer credit, and the inflationary rise of the stock market. He believes the recession of 1937-38 was initiated by the sharp decline in government deficit spending in 1937, which could not be completely offset by expansion of consumer credit and producers' investment, the latter being limited largely by the fact that steel plants had reached capacity. The rate of consumer credit expansion began to decline after March, 1937; by October the expansion had stopped entirely and by January, 1938 the liquidation of consumer credit was withdrawing funds from the income stream at a rate in excess of 120 million dollars a month. This, the author believes, is a partial explanation of one of the most rapid deflations in our history.

The analyses in this report of how credit fluctuated in individual businesses is frequently of general interest, as well as of concern to the specialist. Jewelry stores, representing a luxury trade, show one of the more severe fluctuation curves. The estimated amount of credit extended by all jewelry stores in the United States rose from 87 million dollars at the close of 1923 to 123 million at the close of 1929, dropped sharply to 49 million in 1933, and by the end of 1937 recovered only to 72 million.

Drug stores, on the other hand, gradually increased their receivables from about 30 million at the close of 1923 to 49 million in 1929, but then did not immediately reduce their credit accounts but actually increased them some 4 million through 1933.

Of all types of consumer credit agencies, instalment finance companies experienced the most violent fluctuations of receivables. Automobile paper held by instalment finance companies grew from 0.2 billion at the close of 1923 to approximately 0.9 billion in 1929, dropped severely to 0.3 billion in 1932, and has since mounted beyond all previous records to approximately 1.4 billion at the close of 1937.

Instalment loans made by personal loan departments of banks, a comparatively recent innovation, grew from less than a million in 1923 to 45 million in 1930, declined for three years, and then began a tremendous climb to a total estimated at 216 million by the close of 1937, which fact gives us something to think about.

NATIONAL ASSOCIATION OF CREDIT MEN

MEMBERS' BULLETIN

Tax matters important to creditors and debtors

■ State, federal, county, municipal and other taxes are growing in their importance in appraising the credit risk. Penalties are expensive. Delinquency is dangerous and adds materially to the debtor's cost of doing business. This is a matter that the creditor cannot overlook.

To cite one typical example, state sales taxes are mentioned. Collection is frequently delayed. Computation of the tax is often improperly computed.

When a debtor company finds itself in an embarrassed or insolvent condition there are usually heavy tax claims. Often they eat up all the assets. The conviction is inescapable: credit executives should be as interested in the tax affairs of their debtors as in their insurance protection; perhaps, even more so.

Federal tax liens when mdse. is repossessed

■ Several members of the Association have reported a problem arising out of the status of federal tax liens in cases where merchandise has been sold under a conditional sales contract and has been repossessed by the vendor because of non-payment. In some cases the problem has arisen because of the fact that the vendee has been delinquent in paying his Social Security Taxes.

In connection with this problem the following questions have been raised:

(a) What would be the status of the situation if no tax lien had been filed by the Government prior to the time of repossession?

(b) What would the situation be if there was a past-due Social Security Tax which had not been collected by the Government and if no tax lien had been filed up to the date that the seller had repossessed the merchandise?

(c) Would the Government give any recognition to the collection expense incurred by the vendor prior to repossession and any expenses in connection with handling, reconditioning and reselling?

(d) Is there a liability on the part of a seller repossessing equipment to satisfy the Government's lien under Treasury Decision No. 4446, applying to the discharge of property from federal tax liens.

It appears that no definite policy with regard to these matters has been formulated by the Bureau of Internal Revenue and apparently few, if any, cases involving the problems mentioned above have reached the Washington office of the Bureau. It is not known how many such cases are pending in the offices of local Collectors of Internal Revenue but it is evident that the matter will have to be handled first by the local Collector.

Any creditors who have encountered these problems will probably find it helpful to discuss the matter at the office of the local Collector of Internal Revenue.

NACM surveying opinion of Chandler Act's results

■ The Association is conducting a survey to obtain the opinion of Association members with regard to the operation of the Chandler Bankruptcy Act. Questions regarding various important phases of the Law have been submitted to a group of Association members who are known to be particularly well-informed on bankruptcy matters and also to a number of Secretary-Managers and Managers of local Association Adjustment Bureaus.

Since the Chandler Act was passed, the Association has consistently followed a policy of not initiating or sponsoring any proposals to amend the law until its actual operation could be carefully observed. While the Chandler Act is very long and comprehensive and could not be expected to solve all of the problems of bankruptcy administration, it was believed to be only reasonable to test the ability of the law to solve the problems which it was intended to cover, before suggesting any changes in it. As the law has been in operation for more than a year it is now believed that at least an initial survey of its effects may be made.

In making this survey the Association is discharging its responsibility as one of the contributors to and active supporters of the Chandler Act. Many reports of the benefits resulting from the Act have been received. Some criticism and suggestions with regard to changes in the law have also been received. It is hoped from the survey to get a better idea of the actual benefits which the law has produced as well as an exact indication of any need for changes in the law.

All Association members who have had experience with the Chandler Act are earnestly requested to report their experience and make any suggestions concerning changes in the law to C. F. Baldwin, the Association's Washington Representative, 410 Munsey Building, Washington, D. C.

The Executive Manager Reports:

■ It is doubtful whether any long period in the history of the country has challenged your organization more than the past eight years. The fact that the local Associations, and the National as well, have survived this period with their combined strength very little impaired must be gratifying to our entire membership. As we approach the new year I wish once again to call to the attention of the membership the need of utilization of the full services of your organization.

This business is owned and controlled by *you*. It is *your* Association. It will be strong as you contribute your strength. It will be weak as you neglect it. Here is an organization in which you play an important part. You have the right through your local Board to direct its policies as regards your local organizations. It is your right to direct the policies of the National office through your National Board of Directors. You are privileged to suggest the type of administration you desire.

Each of the service departments, in both the local and the National organizations, is anxious to do the best job it can for you.

Did you ever stop to think of the tremendous task it would be to try to organize an untrained personnel in the types of work that both your local and National organizations are continually performing? Think of the many years of experience of your local Adjustment Bureau and staff; of the years of experience of your local Collection Division. Consider for a moment the task of trying to organize anew a national Credit Interchange organization. When you ponder this last question, particularly can you realize why there is only one national Credit Interchange unit and why that unit deserves your support. You will also realize why all of the service units of your organization deserve your support.

Let us assume for a moment that you prefer your business to be handled in a slightly different manner than the local organization has been handling it. You are privileged to suggest such a different procedure to your local organization. You will be received most graciously. The men you will be speaking to will be men who are working for you and your fellow credit men in your trade area.

This is one of the privileges you are accorded that you could not possibly have if your business were placed elsewhere. Indeed it is more than a privilege; it is a right that you are entitled to when you join the organization.

Think of the many state and federal laws that have been made possible for the protection of your receivables. Without this organization how difficult a task it would be to try to accomplish the enactment of this needed legislation. In the field of education we have chapters throughout the country wherein credit men are constantly studying credit and allied subjects.

If your problem is a credit one, whether it be at home or abroad, whether it be a problem of credit liquidation or credit crime, of credit information or credit education, your organization, with its 44 years of experience, is ready to serve you.

I close as I began. We have been through eight difficult years. During these years the local Associations and the National organization have maintained a high standard of efficient operation of services. Does this not warrant your complete use of its facilities? Why not make a New Year's resolution that in the interest of building even a better and stronger organization you will give the Association support in all of its departments.

1940 can be a year of greater strength. It *will* be a year of greater strength if each and every member will carefully analyze the services available to him by his organization and utilize them fully at all times.

As we close the year I wish to express my appreciation to every member and to the official families of the local Association, that is, the local President, local Secretary-Manager, Board of Directors and Committees, for their splendid cooperation during 1939. I also wish to thank the National Officers and Board of Directors for their unselfish services to the Association.

Should bankruptcy referees be placed on salary basis?

■ Toward the end of the last regular session of Congress a bill (S. 2550) designed "to change the compensation of referees in bankruptcy from a fee to a salary basis and to regulate their appointment" was introduced in the Senate by Senator Ashurst, Chairman of the Senate Judiciary Committee. The bill provides that the number of referees to be appointed from any district shall not exceed the number which may be approved by the senior circuit judge for the circuit in which the district is situated, and by the Attorney General.

It also provides that referees shall receive salaries "at rates which shall be fixed from time to time by the Attorney General on the recommendation of the several senior circuit judges, the amount to be based in each instance on the business previously transacted by the referee or his predecessors." It limits such salaries to $9,000 per annum and stipulates that any referee whose salary would be $7,500 or more per annum would not be permitted to exercise the profession or employment of counsel or attorney, or to be engaged in the practice of law.

In July a subcommittee of the Association's National Legislative Committee submitted to the Department of Justice and to members of the House and Senate Judiciary Committees a statement concerning this bill. The statement did not take a definite stand with regard to the question of whether referees should be placed on a salary basis or should derive their compensation as at present. It did criticize the wording of the pending bill as being inadequate and impracticable and urged that the entire matter should receive further careful study before any legislative action was taken. It pointed to the recent enactment of the Chandler Act and suggested that the operation of that law should be carefully observed before any change affecting referees is made.

Association members are urged to give this matter their very careful consideration and to send their opinions and suggestions to C. F. Baldwin, the Association's Washington Representative, 410 Munsey Building, Washington, D. C. By contributing their individual views, members will be cooperating in the Association's efforts to be helpful and constructive in connection with a very important aspect of bankruptcy administration.

NEWS ABOUT CREDIT MATTERS

A section devoted to local Credit Association affairs

December, 1939

Copy deadline 15th of month

Testimonial dinner honors seven past NACM heads for contributions to credit

New York — Seven past NACM presidents, now resident in the New York-New Jersey area, were honored by the credit fraternity of that region on December 4 at a testimonial dinner here in the Hotel Astor. Clarence L. Riegel, General Electric Co., and New York CMA President, presided. The New Jersey ACM, headed by Percy B. Menagh, United States Trust Co., Newark, was a cooperating sponsor. Dancing and entertainment followed the dinner, which was held in the Grand Ballroom of the hotel. The affair was sponsored by all of the leading credit groups, as well as prominent civic and trade organizations. The theme of the dinner was "Credit—Man's Confidence in Man."

The honored guests were Charles E. Meek, dean of the New York credit men, Curtis R. Burnett of Newark, William F. H. Koelsch, William H. Pouch, William Fraser, P. M. Haight, and Henry H. Heimann.

The men honored have all made outstanding contributions to the credit profession and in recognition of their services, and in order to focus attention upon the great part credit plays in the economic and social order today, the credit fraternity paid tribute to them.

Each of the men asked that the usual presentation of gifts be omitted. Instead, the net proceeds of the dinner was given to the welfare fund administered by the local 475 Club, a non-profit membership organization of 125 credit men, which is doing splendid work toward relieving actual want among unemployed credit men, thus exemplifying the accepted conception of credit, namely "Man's Confidence in Man."

The guests were not only all past presidents of the NACM but, with the exception of Mr. Heimann, have served also as presidents of the New York CMA or of the New Jersey ACM.

Mr. Meek, Asst. Vice Pres., Chemical Bank & Trust Co., served as national President in 1914 and as New York President from 1901 to 1904.

Mr. Burnett, Exec. Vice Pres., Hospital Service Plan of New Jersey, served as national President in 1919, when he was identified with the American Oil & Supply Co. of Newark, and as New Jersey President from 1910 to 1912.

Mr. Koelsch, Vice Pres., Chase National Bank, served as national President in 1920, and as New York President from 1915 to 1917.

Mr. Pouch, President, Concrete Steel Co., served as national President in 1926 and as New York President from 1924 to 1926.

Mr. Fraser, Treas., J. P. Stevens & Co., Inc., served as national President in 1930, and as New York President from 1926 to 1928.

Mr. Haight, Treas., International General Electric Co., served as national President in 1935, and as New York President from 1933 to 1935.

Mr. Heimann, Exec. Mgr., NACM, was elected national President in 1931, when he was Vice Pres. of the Kawneer Co., Niles, Mich., resigning four months later to take over the direction of the national association. Mr. Heimann had also served two terms as President of the South Bend (Ind.) ACM.

The committee on arrangements was headed by John L. Redmond, Crompton-Richmond Co., Inc., who is Vice Pres., NACM, representing the Eastern Division, and a past President of the New York CMA, assisted by Joseph Rubanow, Manufacturers Trust Co., also a past New York President, as Treas., and by A. C. Clune of the Silk & Rayon Credit Association, Inc., as Sec'y.

The chairmanship of the Honorary Committee, on which there was practically unanimous representation of prominent New York business men, was held by Mayor Fiorello LaGuardia.

Robert Morris Associates celebrate 25th anniversary

Rochester—Celebrating 25 years of activity since it was organized in this city in 1914, when a group of bankers met during the Convention of the NACM which was then being held, the Robert Morris Associates staged its fall conference here in Sept. A large number of the men who attended the original meeting were at hand for this silver anniversary, which was topped-off with a dinner at the Rochester Club. A telegram from NACM Exec. Mgr., Henry H. Heimann, expressed the Association's good wishes to the diners and stated that "the Robert Morris Associates has made a wonderful contribution through the years to American industry and commerce."

War is stimulating C-men interest in Latin American trade prospects

New York—The continued rise of the interest of American exporters in the Latin American markets was indicated recently when the NACM Foreign Credit Interchange Bureau reported that inquiries from its members for credit and related information on customers abroad increased in Oct. by 17 per cent over Sept. This figure was 37 per cent above that for Oct. 1938. Of the Oct. 1939 total, 80 per cent related to customers located in Latin America, and only 8 per cent to European buyers. The 10 leading Latin American countries involved in the inquiries were Colombia, Puerto Rico, Venezuela, Cuba, Mexico, Brazil, Peru, Argentina, Panama and Honduras, in the order named.

That the matter of exports during the present European situation is of high interest, was indicated by three recent talks made, respectively, by past NACM Pres. P. M. Haight; FCIB Mgr., K. H. Campbell; and former NACM Foreign Dept. Director, W. S. Swingle at Waterbury, Conn., Philadelphia, Pa., and Cleveland, O.

Waterbury—P. M. Haight, Sec.-Treas., Intl. General Electric Co. of N. Y. and past President, N. A. C. M., was the featured speaker at the Nov. joint meeting of the Conn. A. C. M. sponsored by the Waterbury A. C. M. Mr. Haight, who is in close touch with the export situation presented an interesting discussion of "Export Problems Under Present Conditions."

Philadelphia—Kenneth H. Campbell, Director of the Foreign Dept. and Manager of the Foreign Credit Interchange Bureau, N. A. C. M., discussed "War-time Foreign Credit Problems" at the annual meeting of the Phil. Foreign Traders' Assn. at the Penn A. C. here on Nov. 7. The talk was followed by a general forum discussion about the present export matters with special emphasis on Latin America.

Cleveland—William S. Swingle, Vice Pres., National Foreign Trade Council and former Director of the Foreign Department and Comptroller of the N. A. C. M., was the featured speaker at the Foreign Trade meeting jointly sponsored by the Cleveland A. C. M. and the Cleveland Ex-

port Club here on Nov. 14. Mr. Swingle discussed "Foreign Trade Under War-Time Conditions," the talk being followed by a round-table discussion on export and import matters.

C-men vote Cincinnati conference a success

Cincinnati—The single word "success" was the common denominator of all comments following the final session of the District Credit Conf. held here in Oct. with the Cincinnati ACM as host to Assns. in West Va., Ohio and Western Pa. From the call to order by Cincinnati ACM Vice. Pres. Joseph L. Schoenenberger on Friday morning until the closing luncheon address by Milton Bacon on Saturday noon, there was a continuous series of features of interest to delegates in attendance, both from the business and educational standpoint, as well as entertainment.

Of the many highlights on the speaking program three talks were singled out for special attention and were carried as articles in the Nov. issue of Credit and Financial Management. They were presented by H. T. Riddick, Pres., Cleveland ACM; W. B. White, Smith Bros. Hdwe. Co. of Columbus; and J. D. Ford, Wheeling Steel Corp., Wheeling, W. Va. An interesting innovation in the program was a "Professor Quiz" session, led by Central Division Mgr., E. B. Moran. NACM Exec. Mgr., Henry H. Heimann, addressed the Friday evening banquet on "War and Credits."

The Conference Committee was headed by Paul E. Mertz, Williamson Heater Co. as general chairman; Joseph L. Schoenenberger, Beau Brummell, Inc., as vice chairman in charge of program; C. C. Miller, Gibson Hotel, as vice chairman in charge of arrangements; and O. E. Dreutzer, The Alms & Doepke Co., and Pres. of the Cincinnati ACM.

S. W. parley attracts five states' delegates

Waco—Those waves of enthusiasm which rippled in ever-widening circles from this area on Nov. 11 were occasioned by the successful completion of the Southwest Credit Conf. here on that date. Sponsored by the Waco ACM, the two-day series of meetings attracted delegates from Texas, Louisiana, Arkansas, Oklahoma and New Mexico, who heard an outstanding list of speakers on important subjects, including NACM Pres., Chas. A. Wells of St. Joseph and NACM Exec. Mgr., Henry H. Heimann. The conf. closed with attendance on Saturday afternoon at the Texas U. vs. Baylor U. football game.

Wells "muffs" Fields!

Indianapolis—Merritt Fields, Exec. Mgr., Indianapolis ACM, has sent an open letter of thanks to NACM Pres., Chas. A. Wells of St. Joseph, Mo. for his kindness in attempting to find an old-fashioned pair of black earmuffs for Mr. Fields.

Vice Pres. Hamerin visits local Assns.

Indianapolis—NACM Vice Pres., Fred J. Hamerin, Lilly Varnish Co., has been active in recent weeks visiting Assns. in the Central Division. With Mrs. Hamerin and NACM Exec. Mgr., Henry H. Heimann, he also attended the Cincinnati District Conf. in Oct. Whenever possible, Mr. Hamerin has agreed to arrange his schedule so that he can attend meetings of local Assns in the Central Division.

ZEBRAFFAIRS

LACMA Herd picks Harrell

Forty Zebras of the Los Angeles Herd met on Oct. 27 for dinner and election of officers. Bob Harrell, Quality Brands, Inc., was elected Superzeb by an overwhelming majority, and under his leadership the Herd expects to repeat the win scored by Los Angeles when it won the Class A Membership plaque last year. Harrell figures to collect it in person at the Credit Congress next May.

Hugo heads N. O. Herd, five are initiated

The local Herd, R. O. Z., initiated five new members at its Oct. meeting and then staged a buffet supper at which the following officers were elected: Exalted Superzeb, W. J. Hugo, Gulf Refining Co.; Most Noble Ass of Asses, Milton F. Williams, N. O. Public Service; Royal Jackass, E. J. Holmann, Parke Davis and Co.; Three Horse Power Burro, J. J. Culver, Blue Plate Foods, Inc.; Keeper of the Zoo, M. M. Salaun, Marine Paint & Varnish Co.; Zebratary, J. B. Charles, N. O. C. M. A.

Pitt Herd sees films at frolic

The Pittsburgh Herd staged a Frolic on Oct. 21 in the North Park Lodge with a program of dancing, entertainment and buffet lunch. An interesting feature during the evening was a presentation of technicolor motion pictures taken at the Herd's spring dance in April which brought chuckles of reminiscence from all those present.

San Francisco "Zebes" elect

The new officers of the San Francisco Herd, ROZ, are as follows: *Exalted Superzeb*, Herb Kelley, Envelope Corp.; *M. N. A. of A.*, Larry Victor, Macmillan Co.; *R. J.*, Bob Roberts, Union Oil Co.; *3 H. P. B.*, John Hamilton, Schmidt Lithograph Co.; *K. of Z.*, Carl Carlan, Moore Machinery Co.

Telling the business world about NACM

A recent report by the NACM Public Relations Dept., which has been sent to local and national Assn. officials, reveals that in the period from Jan. 1, 1938 to Oct. 1, 1939, the Dept. was responsible for the placing of 129 articles about credit and association activity in 76 trade and business publications throughout the country. The report, as issued by Paul Haase, Public Relations Director, presented a breakdown which showed the following figures:

21 articles in 9 banking publications.
2 articles in 2 brewers publications.
2 articles in 2 clothing-textiles publications.
7 articles in 4 construction publications.
2 articles in 2 drug publications.
13 articles in 7 furniture-furnishings publications.
3 articles in 2 hardware publications.
7 articles in 7 insurance publications.
2 articles in 2 leather publications.
2 articles in 2 paper publications.
2 articles in 2 tobacco publications.
9 articles in 8 city business publications.
14 articles in 5 commercial publications.
6 articles in 3 credit publications.
20 articles in 6 financial publications.
2 articles in 2 foreign credit & trade publications.
15 articles in 11 general publications.

Membership gains are being reported

Membership gains were revealed by many local Assns. during Oct., according to the monthly report released early in Nov. by Brace Bennitt, NACM Sales-Promotion Director. The Oct. membership progress presented a considerable improvement over the same month of the previous year.

As a coordinating effort the Sales-Promotion Dept. released recently its annual revised edition of "Sales Fundamentals" which is concerned with membership acquisition activity.

With one exception the Assns. listed in Class A showed a gain in Oct. being led by Detroit with New York in second place.

Seattle was leading the Class B Assns., with Indianapolis and Cleveland showing good progress.

In the Class C group, Oakland was in the vanguard followed closely by Syracuse. Buffalo, also in this classification, reported gains for the fourth consecutive month.

Class D was led by Tacoma, while in Class E Saginaw and Waterbury were featured as membership gainers.

Dr. James heads McGill U.

Montreal—NACM members, who at various conferences and meetings in recent years have been privileged to hear Dr. F. Cyril James discuss international and national monetary matters, will be interested to learn that Dr. James was recently appointed President of McGill University located in this city. He has also in the past been a contributor to the pages of Credit and Financial Management.

Association activities

Green Bay:

Members of the Northern Wisconsin-Michigan ACM, who are located in this organization's western sector—Wausau, Merrill, Stevens Point, Wisconsin Rapids, Marshfield, Loyal, and Rhinelander, Wisc. —have been holding regular monthly meetings. In Oct. at Wausau the world crisis was discussed by Ervin Marquardt, and the Nov. meeting at Stevens Point, heard R. J. Barkley on business letters.

Boston:

The annual Xmas Party and Ladies' Night of the Boston CMA will be held in the Renaissance Room of the Hotel Touraine on Dec. 14.

Houston:

Ed. B. Moran, NACM Central Division Mgr., addressed the members of the Houston ACM at their noon meeting on Nov. 14 here in the Rice Hotel.

Binghamton:

The Triple Cities ACM will be joined by the local Credit Women's Club on Dec. 12 in the sponsorship of the Association's second annual Xmas Party for members in the Binghamton-Johnson City-Endicott area. A dinner dance and Xmas gifts, as well as entertainment by the Credit Women will feature the evening.

Shreveport:

Eleven Ark-La-Tex credit executives from this area attended the Southwestern Credit Conf. in Waco and returned with the unanimous selection of this Assn. as host for the 1940 meeting. The Conf. covers Assn. members in Tex., N. Mex., Okla., Ark. and La.

Newark:

Continuing its series of interesting meetings the N. J. ACM presented on Nov. 21 a talk on "The Bank's Obligation to the Community," by W. G. F. Price, Vice Pres., National City Bank of New York. On Nov. 27 Howard C. Lawrence, Pres., N. J. Assn. of Life Underwriters, presented an address on "Credit and Life Insurance," before the local credit executives.

Seattle:

"Press and Propaganda in War Time" were discussed by Prof. Byron H. Christian, Acting Director, School of Journalism, University of Washington, at the Nov. dinner meeting of the local ACM. The meeting also heard Paul P. Ashley, local attorney, discuss "Stoppage in Transit."

Albany:

The Nov. meeting of the Eastern N. Y. ACM was held here in the DeWitt Clinton Hotel on Nov. 16 at which time a feature talk was presented by Edwin B. George, Editor and Economist. Mr. George spoke to the membership about present economic trends.

Baltimore:

Charles F. Baldwin, Mgr., Washington Service Bureau, NACM, was the principal speaker at the Baltimore ACM luncheon here in the Lord Baltimore Hotel on Nov. 29. He discussed "Taxes and Credit," basing his presentation on the recently completed tax survey by the National Legislative Committee of the Assn.

Fort Worth:

The Fort Worth ACM held its monthly meeting on Nov. 29, at which time it heard David A. Weir, Asst. Exec. Mgr., NACM, discuss "Credit or Chaos." Mr. Weir analyzed national and international policies and the effect of these upon credit developments, with particular emphasis on the U. S. situation.

Providence:

NACM Director, Clarence H. Rison, Grinnell Co., who is also Pres. of the Rhode Island ACM, is conducting a series of 28 lectures on "Accounting Aids to Factory Management," at the Technical Institute of the Y. M. C. A. in this city.

New Orleans:

The Nov. dinner meeting of the New Orleans CMA heard E. B. Moran, NACM Central Division Mgr. and Walter Parker, New Orleans economist, discuss "Increased Turnover and Production Through Efficient Credit Management," and "The Relationship National Preparation for Peace Bears to the Extension of Commercial Credit," respectively.

St. Joseph:

The Nov. dinner meeting of the St. Joseph ACM heard H. Templeton Brown discuss the Wage-Hour Act. NACM Pres. Chas. A. Wells, told of his recent trips in which he visited local Assns. and attended the Southwest Credit Conf. at Waco, Tex. Another feature was a talk by Geo. Richmond, Vice Pres., American National Bank and past pres. of the local Assns., on the value to credit executives of the Monthly Business Review by NACM Exec. Mgr., Henry H. Heimann. The meeting closed with an entertainment program headed by Miss Pearl Kinnaman, contralto soloist.

Chicago:

Dr. William M. McGovern, Prof. of Political Science, Northwestern U., was the guest speaker at the Nov. forum meeting of the Chicago ACM held in the Hotel La Salle. An explorer, lecturer and scholar, Dr. McGovern was well equipped to speak on the subject of "Leading Personalities in the Current World Crisis." Details of the educational program of the Chicago Chapter of the NIC, were given at the meeting by E. G. Kasch, Pres. of the Chapter.

Oklahoma City:

The weekly service bulletin of the Oklahoma Wholesale CMA on Nov. 3 featured a three-page letter from past Secy.-Mgr., E. E. Barbee, who is now on a tour of Latin America. He reported on his trip in that direction and about his itinerary, which up to that time had carried him via New York to Nova Scotia and New Brunswick. After returning to New York he headed for Vera Cruz with a stop-over at Havana, Cuba. Following a tour of Mexico he continued on to Guatemala and San Salvador.

Wichita:

The Oct. meeting of the Wichita ACM featured an insurance talk which was presented by D. C. Campbell, Credit Mgr., America-Fore Insurance Co. of Chicago, followed by a "Quiz" session which featured local insurance men. Wichita is now engaged in a membership contest, which will end on Jan. 1, between two teams made up of the 12 directors and 12 member co-workers. A new Zebra organization is being organized here and those gaining new members in the membership drive will be charter members in the new Herd.

San Francisco:

The regular annual Xmas Party of the local Assn. will be staged on Sat., Dec. 16, at the St. Francis Hotel. Members in the Fresno area will hold their annual Xmas function at the Fresno Hotel on Dec. 9, while Sacramento will conduct its affair at the Elk's Club on the same date. At the 5th annual Credit Group Rally on Oct. 26 a dinner and musical program was followed with a "Quiz" session with prizes for the winners.

Indianapolis:

The 14th annual fall dinner meeting of the Indianapolis ACM was held here on Nov. 3 in the Columbia Club and featured a notable address by Senator Styles Bridges of New Hampshire. A large turn out of Assn. members and their wives and guests, as well as local business executives, heard the New Hampshire Senator's talk. C. Walter McCarty, Managing Editor, Indianapolis News, was toastmaster for the occasion. Out-of-town guests who heard the address, which was broadcast by radio, were NACM Director and Mrs. H. A. Smith of South Bend, and South Bend ACM Secy. and Mrs. E. J. Payton.

At the Sept. meeting the local Assn. devoted the program to fire and casualty insurance with representatives of the 34 insurance members in charge. In connection with this insurance-credit activity, Service Corp. Pres., G. C. Klippel, addressed the Indianapolis Insurance Agents' Conf. on

Nov. 9 on the role of insurance in credit analysis.

The second of the eight monthly economic forums conducted by the Assn. was held on Nov. 1 with Dr. M. G. Bridenstine leading a discussion of "War Emergency Controls as Steps to a Tightening Governmental Intervention During Peace Time."

Cleveland:

Dr. Brooks Emeny of Cleveland College presented a timely address before the Oct. 24 luncheon of the Cleveland A. C. M. on the subject "Now America Must Decide."

Richmond:

Collins Denny, Jr., prominent local attorney, discussed "Federal Wage-Hour Law" at the Oct. dinner meeting of the Richmond A. C. M. in the John Marshall Hotel.

Parkersburg:

The Parkersburg-Marietta Assn. featured at its Oct. meeting here an address by S. J. Whitlock of Huron, O. Mr. Whitlock is a past president of the N. A. C. M. and in the course of his talk outlined progress made by the national and local Associations in the past years. A round-table discussion on sales and credits also featured the evening's program.

Louisville:

Joining with the Louisville Chapter, N. A. C. A., the Louisville C. M. A. on Nov. 8 presented a panel-playlet entitled "Internal Check and Audit." This was originally presented at the 20th International Cost Conference of the N. A. C. A. at Atlantic City last June. The presentation featured the latter portion of the evening program, which was preceded by a dinner session in the Brown Hotel.

Hartford:

O. Glenn Saxon, Conn. State Commissioner of Finance, presented one of his matchless talks at the Nov. 28 dinner meeting of the Hartford A. C. M. here in the University Club.

New Haven:

A prize contest has been announced for members of the Conn. A. C. M. with the objective of developing a distinctive name for the recently inaugurated "Occasional Bulletin" which is sponsored by the Bridgeport, Hartford, New Haven and Waterbury Associations. The contest closes at midnight, Dec. 10 and a $5.00 prize will be awarded to the individual presenting the winning title.

Los Angeles:

Inauguration of officers and directors for the coming year featured the Oct. monthly meeting of the LACMA when Leon Rosenbaum, Consolidated Rock Products Co., was installed as President. Speaker of the evening was Dr. Claude A. Buss, Associate Professor of International History at U. S. C., who gave a timely and interesting talk on the European situation to the 250 members in attendance.

Toledo:

The local Assn. is holding a series of evening forum meetings on credit subjects. On Nov. 14 the meeting featured Hon. F. H. Kruse, Referee in Bankruptcy. The Assn. is also now making plans to hear Exec. Mgr. H. H. Heimann at a joint meeting with Toledo Rotary on Feb. 26.

Albany:

Frank W. Lovejoy, Retail Marketing Division, Socony-Vacuum Oil Co., addressed the Eastern N. Y. A. C. M. here on Oct. 26. Mr. Lovejoy discussed "Modern Merchandising," a talk that was enthusiastically received by the members present. The local Association also participated actively at the Buffalo Tri-State Conference with several of the officers and directors in attendance at the sessions.

Syracuse:

Gerald Wendt, Director of Science and Education, New York World's Fair, will present a review of scientific achievements at the dinner meeting of the Syracuse A. C. M. on Dec. 12 in the Hotel Onondaga. Recognized as an outstanding scientific prophet, Mr. Wendt will not only discuss past achievements but will interpret their meaning to the modern world.

Minneapolis:

Dr. Alonzo E. Taylor, Chairman of the Research Committee, General Mills, Inc., will be the speaker at the Dec. 19 meeting of the Minneapolis A. C. M. at Dayton's Tea Rooms. The local members have been privileged with an exceptionally varied series of features at their meetings thus far. The Sept. meeting included a tour of the factory of the Minneapolis-Honeywell Regulator Co. with dinner served in the dining room of the plant at which a recording of a talk by Henry H. Heimann, Exec. Mgr., N. A. C. M., was presented. Prof. Bryng Bryngelson of the University of Minneapolis was the featured speaker. In Oct., a halloween party was staged at the Minneapolis Automobile Club, while in Nov. the members heard Ed. F. Flynn, Asst. General Counsel, Great Northern Railway Co.

South Bend:

Henry H. Heimann, Executive Manager, N. A. C. M., was the featured speaker at the South Bend A. C. M. dinner meeting on Nov. 21, which was held in conjunction with the Manufacturers' Division of the local Chamber of Commerce at the Oliver Hotel.

Milwaukee:

The annual Xmas Party of the Milwaukee A. C. M. is scheduled for Dec. 16 at the Milwaukee A. C. There will be dancing and a floor show as well as refreshments and door prizes.

Rochester:

Jay Allen, well-known foreign correspondent, told the members of the Rochester A. C. M. at their Nov. meeting here about "Propaganda in the News and How to Spot It." An additional feature was a program of musical entertainment by Ernest Gloe, Accordionist of Eastman School of Music and Rochester Civic Orchestra. Gerald Wendt, Industrial Scientist, will appear at the Dec. meeting, which will be held jointly with the local Retailers.

Des Moines:

Plans for the Tri-State Credit Conf. are now being developed by the Des Moines C. M. A., which will be the host for the next sessions of this annual gathering on Feb. 21-22. Credit executives from Associations located in Burlington, Cedar Rapids, Davenport, Sioux City and Waterloo, Ia.; Lincoln and Omaha, Neb.; Sioux Falls, So. Dak., will be in attendance. N. A. C. M. Exec. Mgr., Henry H. Heimann, will be one of the featured speakers.

InfoNIC

Birmingham — Successful in lining up another class in Fundamentals of Accounting and a class in Economics, the Chapter is planning to take up Credits and Collections next semester.

Chicago—Although there is far more credit available at present than at the beginning of the first World War, such credit should not be used in commodity and inventory speculation, I. N. Haskell, Secy., Alfred Decker & Cohn, stated in address before the Chicago A. C. M. at the Oct. meeting conducted by the Chicago Chapter. Mr. Haskell warned of the dangers of inventory inflation.

Cincinnati—This Chapter has lined up a splendid program for the coming season designed to interest credit executives and assistants, as well as those members of the Institute working toward the awards. Present plans contemplate lectures and discussions through the month of Jan. at the Univ. of Cincinnati. Chapter members participated in a social affair at the Pines Country Club on Nov. 4.

Cleveland—The local Chapter opened its season on Nov. 8 with a featured address followed by discussion and is looking forward to an active year in credit education work.

Detroit—The second Chapter meeting was held Nov. 14. A new constitution was drafted at that time to determine how the Chapter will be governed.

Indianapolis—Chapter members joined in the Association Dinner Meeting on Nov. 3 and are now building up membership in the Institute for the present season.

Kansas City—It was the intention of the Ed. Com. of the Assn. to start its educational program in a small way and gradually broaden its scope. However, the initial effort has resulted in a boom. Fifty-three have enrolled in the class in Credits and Collections and of that number 45 have joined the Chapter. Already five sessions

have been held and the absences have averaged less than 5%. The first of the fall-winter dinner meetings was held Oct. 26. N. A. C. M. Pres. Chas. A. Wells was the guest speaker.

Lincoln—This newly formed Chapter organized a fine class in Credits and Collections with classes starting on Nov. 9.

Los Angeles—The first program of the local Chapter this year was held on Oct. 12, when Harrison Matthews, Instructor in Credits, Business Administration, Woodbury College, gave an inspiring address. H. H. Hansen, Union Oil Co., presided.

Louisville—The members of this Chapter can look forward to an exceptionally fine series of forum meetings that have been arranged for the 1939-40 season. The first session was held on Oct. 30 and was very well attended. The subject was "Pitfalls in the Collection Letter."

Pittsburgh—The 1939 program of the Chapter was inaugurated Oct. 17 when new officers were elected. An increase in membership of about 35% over last year has been recorded. Greetings were acknowledged from the newly organized Johnstown Chapter.

Rochester—The members of the Institute held the annual Halloween Party on Nov. 3. In addition to entertainment, dancing and a buffet supper, prizes were awarded, the main prize being a Stromberg-Carlson radio.

Toledo—Referee Fred H. Kruse talked on "Bankruptcy Problems" at the monthly Forum Meeting of the Chapter on Nov. 14. In Oct., Dr. Douglas H. Bellemore, University of Toledo, gave a stimulating address on "The Outlook for Business and Credit."

Promotions

Seattle—W. M. Shelton is now General Credit Manager, Union Oil Co. of Calif. with headquarters at Los Angeles. He has been succeeded locally as Division Credit Manager by Les Farmer. Mr. Shelton's place on the Seattle Board of Directors was taken over by W. R. McIlvaine, Tide Water Associated Oil Co.

Hartford—George Stringer is the new Comptroller and Asst. Treas. of the International Silver Co. which he had been serving as Credit Manager.

Philadelphia—Ralph D. Withington is the new Vice Pres. of the Phil. Nat'l Bank having been advanced in Oct. from the position of Asst. Cashier. Mr. Withington is a national director of the N. A. C. M.

New Haven—James T. Clark is the new Secy.-Treas. of C. S. Mersick & Co., having succeeded to the treasuryship following the recent retirement of C. W. Jones.

Los Angeles—Cecelia Smead, Asst. Editor of LACMA Women's Division publication "The Last Word," was elected Pres. of the local Artios Club in Sept.

Hartford—G. T. Zahnke has been promoted to the position of purchasing agent of Wallace-Barnes Co. Arnold H. Sandstrom succeeds him as firm representative in the Hartford A. C. M.

New Haven—Andrew F. Erba has succeeded James Walsh as Credit Manager, Adley Express Co. Mr. Walsh has joined Lombard Bros. of Waterbury, Conn.

Position Wanted:

Credit executive with 16 years credit and office management and sales experience, at present employed with wholesale concern, wants connection with independent jobber or manufacturer in northern states. Proven record in credit and collections can be verified. Reason for change—desire for permanent residence for growing family. For full information address Box 121, Credit and Financial Management, One Park Ave., N. Y.

Credit career

Irving F. Hoyt

Rochester—Fifty years of service with one company is the proud achievement of Irving F. Hoyt, Credit Manager, Eastman Kodak Company. On Sept. 28, Mr. Hoyt celebrated his Golden Anniversary with the company, the occasion being marked by floral and other tributes from his many friends in the organization. At a dinner attended by officials of the company and by co-workers who had completed 40 years of service, Mr. Hoyt was presented with a Gold Medal in recognition of his faithful service. He also received a gift from Kodak office employees. Mr. Hoyt became connected with the Eastman Kodak Company in the days when the Kodak office was on one floor.

Recalling his early years he told how he started back in 1889:

"I had been working as a billing clerk in a Rochester department store for about a year, but I thought that the concern was too big and I wanted a job with a small outfit. So when the Eastman Dry Plate and Film Company—a small concern on State street—advertised for a billing clerk, I answered right away and was chosen from about 20 applicants. Mr. Eastman interviewed us, I remember." Mr. Hoyt, together with the nine other persons who comprised the company's entire office staff, worked on the first floor of the four-story building. "We worked from eight to six, and six days a week," he recalled, "and most week nights too. The office work was done by hand for the most part. It was a laborious job."

His first duties were those of billing clerk, but he was soon transferred to the books. Later his responsibilities were increased by his being placed in charge of collections, and still later he was intrusted with the opening of new accounts and with general credit work. For almost 40 years Mr. Hoyt has been in charge of credits and collections and that branch of the work has expanded tremendously. The department has grown to one of the largest to be found in the country's manufacturing enterprises and the system, developed in its various ramifications by Mr. Hoyt, is admitted by credit men generally to be unsurpassed.

Mr. Hoyt is a charter member of the Rochester A. C. M., a past national Director and one of the Association's most loyal supporters. We join with his many friends in congratulating him and extending our best wishes.

Obituary

Elliot Balestier, Sr.

West Englewood, N. J.—Elliot Balestier, Sr., author and associate editor of Liberty Magazine since its founding, died here on Oct. 17. He was 68 years old. By marriage, a first cousin of the late Rudyard Kipling, he was well known as the author of more than 200 short stories and several serial novels. He is survived by his son, Elliot Balestier, Jr., who is well known to N. A. C. M. members as Exec. Secy. of the Cement Credit Groups.

George H. O'Neill

Rye, N. Y.—George H. O'Neill, Credit Mgr. for H. A. Caesar and Co., New York Commercial Factors, died here at the age of 72 on Oct. 19. He was a familiar figure at all credit conventions, and was active in both the N. A. C. M. and the New York C. M. A. Mr. O'Neill staunchly supported the credit slogan of "millions for defense but not one cent for tribute." Mr. O'Neill was a member of the 475 Club and identified with various credit groups in the market.

E. Paul Phillips

New York—Funeral services for E. Paul Phillips, 48, an executive of Paramount Pictures, Inc., were held on Nov. 6 following his death in an automobile accident at Waseca, Minn., on Nov. 1. Mr. Phillips with three other officials of his company was on a business trip when the accident occurred. He is survived by his wife, a daughter and his parents. Mr. Phillips was well known to N. A. C. M. members, having served the Association over a period of years up to 1930 as Adjustment Bureaus Director, Eastern Division Manager and then Asst. Executive Manager.

Robert C. Ray

St. Paul—Funeral services for Robert C. Ray, Credit Manager, Motor Power Equipment Co., were held on Oct. 30 here following his death on Oct. 27. He was buried at Stillwater, Minn. He is survived by his widow and two sisters. He had represented his firm in the St. Paul A. C. M.

OUR DISTAFF SIDE

Grand Rapids:

Women members of the Grand Rapids A.C.M. met on Sept. 6 and organized the Grand Rapids Credit Women's Group. A constitution was adopted and officers and committee chairmen were elected as follows: Pres., Mrs. Irene Eberhard; Vice Pres., Mrs. Lovola Dilley; Secy., Mrs. Veronica MacPherson; Treas., Miss Gertrude Sheldon; *Program Chairman:* Miss Blanche Crosby; *Public Relations:* Mrs. Irene C. Spraker; *Arrangements:* Miss Mary J. Orth; *Membership:* Mrs. Lucile Billings; *Publicity:* Mrs. Edith M. Moore. The officers and chairmen of standing committees comprise the Board of Directors.

Other charter members are Mrs. Louise Bierbower, Miss Edytha Carpenter, Mrs. Frances Heth, Miss Grace Cunningham, Miss Lettie Heydorn, Miss Marie Kloet, Miss Marie MacGowan, Miss Ruth Soukup, Miss Henrietta Van Zoeren, Miss Wanda Urbanski, Mrs. Bertha Simons and Miss Hilda Landstra.

Tacoma:

The Credit Women's Group opened its fall season with 20 members on its roster. Officers for the present year are: Pres., Terese Shepard; Vice Pres., Bobbie Mattison; Treas., Gertrude Fietz; Secy., Margaret Munyan. The Board of Directors includes: Fern Allen, Ruby Lund Bennett, Betty Ellis and Edna Van Vlack. Committee chairmen are: *Publicity*: Edna Van Vlack; *Ways and Means*: Betty Ellis; *Membership*: Fern Allen. Marguerite Disch is Editor and Margaret Munyan, Asst. Editor, of "Credit Chirps," the Club's monthly publication, which is now in its second year.

Pittsburgh:

The annual card party of the Credit Women's Club was staged in the Fort Pitt Hotel on Nov. 6 with bridge, Chinese checkers and bingo featured. Table and door prizes and refreshments were part of the evening's program, which was for the benefit of the local Helen R. Pouch scholarship fund.

The Nov. dinner meeting of the Pittsburgh C. W. C. featured a visit to the Buhl Planetarium following a dinner at the Trinity Lutheran Church at which the speaker was J. E. Sugden, Jr., Pres., Steel City Gas Coal Co., who discussed "Personality in Letterwriting."

Portland:

The local Credit Women's Club was host on Nov. 18 and 19 to the Credit Women's Clubs of Seattle, Tacoma and Spokane. This continued the series of joint meetings which the Portland and Seattle Clubs have carried on for the past several years. Alice Fields, Pres., Portland Women's Club and Western Division Chairman, Credit Women's Executive Committee, was active in developing plans and program of the meeting.

Los Angeles:

The Nov. meeting of LACMA Women's Division featured Mrs. Edna L. Scott, astrology lecturer, who presented a talk on "Women's Place in the Sun" in the light of Astrology and Bible Prophecy. The program was arranged by Florence E. Banks.

Philadelphia:

The Phila. C. W. C. held its Nov. dinner meeting at Whitman's and heard Regina T. Clark talk about the "Women Who Achieve." Mrs. Charlton and Miss Wolfe were hostesses for the meeting.

Detroit:

The local C.W. C. held its annual meeting and election of officers on Oct. 17 at Frame's, with 32 members present. Bobbie T. Hunter, Eaton-Clark Co., who is a member of the National Credit Women's Committee, was elected to the presidency for the second consecutive year. The other officers elected were: Vice Pres., Patricia Phillips, Lynn B. Emery, Inc.; Secy., Ione Gardner, Fife Electric Supply Co.; Treas., Helen P. Dannels, Detroit Ball Bearing Co.

Seattle:

The Seattle Credit Women's Club has been asked by the Board of Directors of the Seattle A. C. M., to take charge of the Feb. dinner meeting and is now making plans for the program on that occasion.

Buffalo:

The annual Credit Women's Breakfast for club members in District No. 2 was held here in the Park Lane Hotel on Oct. 21 in conjunction with the sessions of the Tri-State Credit Conference in this city. Thirty-two credit women were in attendance.

The program was directed by Florence Godfryd, Buffalo Chairman, who introduced Jane Sweaf of New York, Chairman of the National Credit Women's Executive Committee. Bess Havens of Binghamton, Conference Sec'y., reviewed 10 years of activity in conference affairs.

Members from Rochester, Syracuse, Utica, Binghamton, Buffalo, New York, and Toronto were in attendance, this being the first participation by Toronto. Discussions about education, publicity, membership and other activities featured the meeting. In New York, Binghamton and Utica, scholarships have been established. Eight of the 13 Associations in District 2 now have Credit Women Clubs.

New York:

Alice Rice Cook, New York University instructor and advisor on employment problems to women's college graduates, discussed "The Art of Self-Evaluation" at the Nov. dinner meeting of the New York C. W. G. Miss Cook presented several practical yardsticks for personality measurement and improvement.

Under the direction of Chairman Pearl Rose Knoll, the meeting also heard a report by past Chairman Marion E. King on her address at the Bronx Soroptimist Club, while Mrs. Knoll herself reported on her activities as representative of the C. W. G. during National Women's Week, and the local group's cooperation with the Inter-Club Guidance Bureau. Catherine Cohen, Group Vice Chairman, presented a vivid report of the Buffalo Conference.

Utica:

The local C. W. G. joined the Utica A. C. M. at its Nov. meeting and is now looking forward to its annual Xmas party this month. The club has established the William C. Wright scholarship, which this year was won by Catherine Beardsley. A scholarship fund is being established.

Chicago:

Finishing its thirteenth year of activity in the traditional blaze of glory, the Chicago CWC began a new season with the election of officers, which was enhanced by thanks to the outgoing executives headed by Catherine Tebrugge, Times Publishing Corp. The new slate, which will be in charge of the 1939-40 program, includes the following: *Pres.,* C. M. Riddell, John T. Riddell, Inc.; *Vice-Pres.,* Stella P. Harris, Midwestern Tailoring Co.; *Treas.,* Edith E. Sorensen, Butler Bros.; *Recording Sec'y,* Irene Morrissey, Harry Manaster & Bros.; *Financial Sec'y,* Bernice Rotter, Hanson Scale Co.; *Corresponding Sec'y,* Carrie M. Grae, Hooper-Holmes Bureau.

San Francisco:

On November 8, a representative of the Junior Chamber of Commerce addressed the local CWC and displayed pictures depicting the existing crowded conditions in San Francisco's Chinatown, and explained the effort now being made to raise funds for the purpose of rehousing that section. A very interesting topic and a worthy cause, was the group's consensus.

Charlotte Madden gave a detailed review of her assignment in reading "The Promises Men Live By," a new approach to economics. This book was suggested by the Educational Committee as a book for study during the coming year.

Denver:

Joining 600 other members of business groups and clubs, the Denver CWC on November 6, heard a goodwill delegation of four women representatives from South American countries. Presenting excellent word pictures of their countries, these representatives of Venezuela, Brazil, Cuba and Argentina, also expressed their regard for the people of the U. S.

A previous meeting of the group heard an interesting report by Pres. Helen Green about the Grand Rapids Credit Congress to which she was a delegate. She also described the activity of other women's groups and presented plans for further activity by the local organization.

Extensions of Auditing Procedure Affecting Credit Analysis

By Albert Siegel, Chicago

Credit men should be interested in the new additions to auditing procedure adopted by the American Institute of Accountants. Accountants are now taking the necessary steps to place increasing reliance on their work and, in this attempt, the credit man is directly affected. Inasmuch as the National Association of Credit Men was represented in consultation with the committee, it is important that members be informed of progress in the work. Auditing procedure is now generally recognized by the public after the widespread publicity afforded the *McKesson-Robbins* incident.

It should certainly be borne in mind at present, that, as far as the professional accountant is concerned he has a dual responsibility: to his client, and, to the public. As credit analysts, we necessarily fall in the quasi-public category and from the historical presentation of periodical statements, as certified by independent professional accountants, and published in various data books, the credit man has the foundation stone for his procedure.

"More Accurate" Picture

The attempt of the auditor to produce a "more accurate" picture is part of the committee's desire that auditing procedure continues to keep pace with the growth and development of industry. Ratio analysis over a period of years was concerned mainly with the current or liquid assets on the balance sheet, and today the same thought is paramount, since a going concern should necessarily enjoy the activity of "circulating capital." Emphasis on the current or liquid sections of the balance sheet has, of course, brought about important perfunctory tests like the working capital test, current ratio, "acid test" and others, nevertheless routine testing, in the absence of specific knowledge concerning the accuracy of the accounts, or the peculiarities of the industry, does not yield information useful to the credit manager.

As pointed out in a current article, the great majority of cases making a rigorous classification of current assets and current liabilities still fail to reveal whether a business can actually pay its short-term debts when they are due, since they do not indicate whether the realization of assets will be sufficiently rapid to meet the agreed liquidation dates of the liabilities.[1]

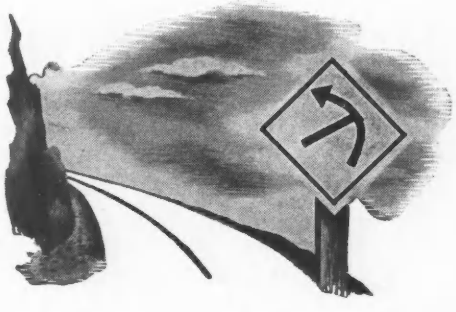
[1] Woodbridge, F. W., "Time as a Factor in Determining Debt-Paying Ability," *Accounting Review*, September, 1939.

Many examples of concerns showing balance sheets appearing quite satisfactory at the beginning of the period, yet eventually ending in the hands of creditors' committees or bankruptcy courts, can be cited.

Audits of Inventories

The report submitted to the council of the American Institute of Accountants relates to the following:

Examination of Inventories
Examination of Receivables
Appointment of Independent Certi-



Danger Ahead

Signs mark the highway at dangerous points. Yet no sign warns you of impending or hidden hazards which threaten your business and those firms to whom you pass credit.

Your best safeguard lies in adequate insurance and bonding coverage in a dependable, experienced stock company, such as Standard of Detroit. A Standard agent will gladly recommend protection that precisely fits your own or your customers' needs.

Standard Accident protects against financial losses consequent on injuries to employees, or the public; automobile accident; robbery and burglary; embezzlement; forgery and allied hazards.

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Credit executives realize that these savings are sound economy for the policyholder—in addition to sound insurance protection.

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From the credit manager's viewpoint, with reference to ratio analysis, it is pertinent to consider only the auditing procedure for inventories and receivables.

The problems involved in the verification and valuation of inventories have been the subject of endless discussion among accountants and credit grantors. Frequently the largest of the current assets, if not all the assets, the inventory demands the exercise of the auditor's intelligence in the highest degree in the determination of the amount at which it shall be stated on the balance sheet. Bankers, as a general rule, do not care for certified statements in which reservations are made by the accountant with respect to the inventory item, which averages about fifty percent of the current assets of manufacturing concerns and which is most easily susceptible to manipulation. Organizations have been known willingly and constantly to overstate inventory values, with resulting profit, asset and net worth overstatement, when in reality the company was bankrupt.

Years ago it was the custom among accountants to qualify their certificate by prefixing the phrase, "Subject to the accuracy of the inventory," but this qualification has fallen into disuse, chiefly because of its casting suspicion on the accuracy of the accounts as a whole. Under the extensions of auditing procedure no qualification need be made with regard to the inventory item if the accountant checks the records in accordance with the procedures suggested. The auditor has certain responsibilities in connection with the inventory, although as a usual proposition he does not actually count the inventory or even supervise its counting. Although there is not a great deal of litigation in connection with the work pertaining to inventories, British cases have held that if the auditor obtains an inventory certificate from the client, the auditor is not liable for the inventories.

Published in January, 1936 by the American Institute of Accountants the pamphlet *Examination of Financial Statements* lists the auditor's duty with reference to the inventory as follows:

1. The accountant's examination of inventories falls naturally into three main divisions:

(a) Accuracy of computations, footings and recapitulations

(b) Basis of pricing

(c) Quantities, quality and condition.

2. The responsibility of the accountant in the first two cases is clear: check the inventories sufficiently to be satisfied as to the substantial accuracy of the clerical work performed and that the goods are valued in accordance with the usual commercial practice—that is, at cost or market, whichever is lower or on some other reasonable basis which is accepted as sound accounting practice in the particular trade or business.

3. The duties and responsibilities of the accountant in the case of quantities, quality and condition of stock vary with the circumstances; *but he must rely principally for information as to quantities, quality and condition upon the responsible officers and employees of the company.* In the case of a business which does not call for technical knowledge and presents no substantial difficulties the accountant, by special arrangement with his client, may be justified in assuming

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a greater degree of responsibility than in cases where expert knowledge is essential. Make reasonable inquiries and tests to ascertain that quantities have been carefully determined and that quality and condition have received due consideration. (Italics, authors; discussion of *McKesson-Robbins* affair in connection with reliance upon responsible officers is germane here.)

Generally Followed Practice

The above procedures represent the best orthodox consensus among practitioners and, it has been followed by accountants throughout the country as can be gathered from the testimony of expert witnesses at the Securities and Exchange Commission hearings. With reference to the third procedure outlined in the bulletin it is pertinent here to record the response by Norman J. Lenhart of New York voicing a somewhat different viewpoint. Questions and answers from S. E. C. hearings are herewith reproduced:

Q. Now, if the procedure outlined in the bulletin as to inventories has been satisfactorily completed, is it your custom to include in the accountant's report, or the statement, a qualification as to your responsibility for the quantity, quality, or condition of inventories?

A. We do not customarily include in our report a qualification regarding something concerning which we have no qualification. We believe our responsibility for the quality, quantity or condition of the inventories varies largely as between different types of business. If we make what we consider a reasonable investigation of the quantity, quality, or condition of inventories, we see no reason why we should need to put any qualification in our report. I think there again we would decide for ourselves what would constitute a reasonable examination. If we were examining the accounts of a mining and smelting company, we might look ourselves blind and see huge piles of ores, with no knowledge as to what the value might be. We would be more apt in that case to make all the reasonable tests we thought necessary of book records and production records and feel then that we had done all that we reasonably should do. In some other cases we might feel that a reasonable investigation would require being present when the inventories were being taken.

Q. In case the accountant's report or the statements indicate that the auditor had relied upon responsible officials for information as to quantity, quality or condition, do you feel that this avoids the necessity of making any of the tests which are referred to in the last sentence of item 3 . . .?

A. I am not at all sure that this condition would arise in our practice. We, at one time, felt that disclosure that we did not do something relieved us of responsibility. We have come to feel that if what we didn't do was something we should have done, we are not very much relieved . . . On the other hand, if we had been permitted to make what we consider a reasonable investigation, we see no reason for stating that we have relied upon responsible officials for information as to quantity, quality, and condition of inventories if, in fact, we have not relied only upon such information. Now, in any case, whether physical tests are made or whether

SLOW ACCOUNTS ARE NOT NECESSARY

says

Clyde Wm. Phelps

"Most of the charge accounts on the books of American retailers are slow accounts," says Clyde Wm. Phelps, well-known credit authority. "Is this necessary? It is not.

"Can the retailer make prompt-paying customers out of his slow-paying customers without losing volume and profit? He can.

"Why, then, do many retailers put up with the disadvantages of slow accounts? There are two reasons.

Many hidden losses

"First of all, most merchants have not thought much about the matter. Therefore, they have never clearly realized the number or the importance of the many hidden losses caused by slow accounts. As soon as they realize the situation, they do something about it.

"Secondly, many retailers have the mistaken notion that they would lose a great deal of business if they refused to charge further purchases on accounts that have become slow until those accounts are paid. *This fear of losing business is absolutely groundless.*

"When the retailer stops carrying slow accounts, he stops all of their hidden losses and he gets hold of the money tied up in them. This makes it possible to give customers a finer store to trade in, more and better services, better qualities, or lower prices. In short, the dealer is able to offer more, and this is the fundamental way of keeping and increasing business.

"That is why business is not lost to competitors. That is why an individual store can shorten its credit period and stop carrying slow accounts without waiting for competitors to do likewise. And stores, little and big, have done this all over the country."

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Wouldn't it help your retailer customers to know how these stores have solved the slow account problem? This is told in Dr. Phelps' booklet, "The Ten Hidden Losses in Slow Charge Accounts." You are invited to send the coupon for a copy *without obligation.* Additional copies for distribution to your retailer customers will be supplied for mailing costs only.

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they are not, if we feel that we have made what, under the circumstances, is a reasonable investigation into inventories, quantities, and pricing and what not, we see no advantage in the company indicating in its statements either that the inventories are as certified by company officials or in our indicating in our certificates that we have relied on that sort of a representation.

Q. What do you do when you have not been able to make a test which satisfied you as to its reasonableness in these points?

A. If the amount involved is not such as to materially affect the statements, we might make a qualification and possibly give some indication as to the amount involved. Our feeling with regard to any material difference is that we should not certify the statements.

The latest additions to auditing procedure now demands that corroboration of inventory quantities by physical tests should be accepted as normal audit procedure. The accountant now must, in accordance with what will hereafter be recognized as normal audit procedure, observe the making of physical tests by count, weight or measurement, although it must not be assumed from the preceding statement that in the past certified public accountants have not made test checks of inventory quantities. "Where the accountant has not made these physical tests by count, weight, or measurement because of impracticability or because he has departed from normal auditing procedure, he shall make suitable explanation or exception in reporting on the financial statements of a concern over his signature". In other words he must qualify his report when departing from additional procedures though he does not assume the responsibilities of, a general appraiser, valuer, or expert in materials.

Consideration of the subject of the verification of accounts receivable involves for the credit grantor, first, examination of methods of auditing procedure and second, the applicability of correct accounts to ratio analysis. If auditing procedure can do something more than merely warrant the accuracy of accounts the importance of ratio anaysis will take on a somewhat greater aspect of validity. Since accounts receivable arises from the main income-producing feature of the business, it is the lifetime of the organization.

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The business thermometer:

Analysis of figures by Marketing Research Division, U. S. Dept. of Commerce

Oct. mfrs. sales about 1/4 larger than October, 1938

Sales of manufacturers during October 1939 were about one-fourth larger than during October 1938 according to reports received by the Department of Commerce from 1,660 manufacturers. Indications are that new orders received during October fell off somewhat from the exceptional volume of September, but manufacturers' sales were more than maintained by shipments on unfilled orders.

An interesting comparison is supplied by the Federal Reserve Board index of industrial production for manufactured goods which moved from 111 in September to 120 in October on an adjusted basis. The corresponding indexes for 1938 were 89 and 95 for September and October, respectively.

Manufacturers' sales during October rose almost 3 percent from the September level. The changes between those months in 1938 and 1937 were decreases of one and five percent, respectively. Thus the rise this year from the high level in September indicates a definitely sustained rate of sales, particularly when it is considered that October sales declined last year from September at a time when general business conditions were improving.

Wholesalers' inventories rose almost 4% in October, 1939

From September to October, wholesalers' end-of-month inventories at cost increased 4 percent, while sales declined 6 percent, according to reports from approximately 2900 firms. This situation undoubtedly reflected movement into wholesalers' warehouses of some of the heavy volume of goods for which purchase commitments were made during September, when their sales spurted.

The level of wholesalers' holdings at the end of October was 6 percent above that of the previous year. This was the widest margin over the corresponding month of 1938 recorded in any month this year. Even after the decline from September, however, October sales were still 11½ percent higher than in 1938.

The adjusted index of Department store sales compiled by the Federal Reserve Board fell one point, from 91 in September to 90 in October. While this slight drop was in marked contrast with the upward trend of industrial production, the index remained 6 points above the level of 84 recorded in October 1938.

The percentage change for total retail trade from last October is not available as this goes to press. It probably will not vary substantially from that shown by the 22,000 independent retailers reporting to the Department of Commerce, who registered an increase of about 7½ percent.

All survey figures collected and compiled by U. S. Bureau of Census

MANUFACTURERS' sales and collections on accounts receivable, October 1939

Industry	Dollar Sales				Number of firms reporting credit data	Collection Percentages*			Total Accounts Receivable		
	Number of firms reporting sales	Percent change October 1939 from: Oct. 1938	Percent change October 1939 from: Sept. 1939	Oct. 1939 (000's)		Oct. 1939	Oct. 1938	Sept. 1939	Percent change October 1, 1939 from: Oct. 1, 1938	Percent change October 1, 1939 from: Sept. 1, 1939	As of Oct. 1, 1939 (000's)
Food and kindred products, total	452	+ 8.5	—9.8	$105,503	320	137	141	161	+11.9	+18.4	$63,881
Confectionery	240	+ 6.1	—3.4	24,289	134	126	135	164	+ 3.1	+55.9	11,670
Flour, cereals, and other grain mill products	27	+10.2	—14.5	6,769	24	140	144	164	+17.1	+30.0	5,076
Meat packing	24	+ 2.0	—14.2	10,831	22	205	200	220	+ 1.1	— 5.0	5,244
Distilled liquors	6	+14.5	+26.9	3.016	6	99	101	90	+14.9	+14.7	4,325
Malt liquors	9	+14.0	—10.4	7,537	8	155	167	168	+18.9	— 3.6	4,831
Wine	25	+ 3.6	+14.8	1,657	18	62	63	55	+ 5.6	+11.0	2,362
Other food products	121	+10.0	—13.0	51,404	108	137	141	164	+16.1	+16.2	30,373
Textiles and their products, total	121	+33.7	+ 3.3	36,006	114	77	73	72	+15.2	+13.5	45,140
Clothing, men's, except hats	31	+22.2	— 1.1	5,234	28	56	58	51	+17.4	+ 9.6	8,290
Clothing, women's, except millinery	22	+14.5	— 9.6	1,959	21	73	75	64	+10.0	+12.5	2,826
Knit goods	10	+23.3	+ 1.2	2,840	10	71	69	72	+10.4	+21.2	3,601
Other textile products	58	+39.4	+ 5.7	25,973	55	83	77	78	+15.7	+13.8	30,423
Forest products, total	62	+36.1	+14.6	5,966	61	72	70	67	+21.3	+10.3	7,476
Furniture	32	+28.3	+11.0	3,092	31	60	61	57	+21.9	+14.0	4,557
Lumber, timber, and other miscellaneous forest products	30	+45.7	+18.6	2,874	30	92	84	81	+20.3	+ 5.0	2,919
Paper and allied products, total	96	+29.7	+15.6	18,692	84	105	99	99	+15.4	+ 7.8	15,368
Paper, writing, books, etc	25	+29.9	+ 8.7	2,929	18	79	77	74	+22.4	+ 8.4	3,174
Paper, boxes and other paper products	56	+29.6	+16.9	10,917	54	112	103	105	+12.9	+ 7.1	8,789
Paper, Wax	15	+29.6	+17.3	4,846	12	111	105	104	+15.7	+ 8.8	3,405
Printing, publishing, and allied industries	58	+12.6	+17.8	2,849	54	73	69	67	+ 2.7	+ 3.2	3,843
Chemicals and allied products, total	133	+22.0	— 3.2	18,412	118	75	72	73	+18.2	+11.8	24,829
Paints and varnishes	65	+17.0	— 5.1	4,312	61	61	58	60	+12.3	+ 5.3	9,096
Pharmaceuticals and proprietary medicines	25	— 1.4	+ 9.2	3,098	21	66	69	61	+14.7	+ 8.2	3,136
Other chemical products	43	+33.2	— 5.5	11,002	36	88	84	86	+23.9	+18.0	12,597
Petroleum	18	+ 6.6	+ 0.1	40,466	15	113	107	107	+ 4.0	+ 6.5	27,303
Rubber products	14	+ 8.9	— 8.7	3,741	13	58	64	63	+25.7	+15.2	6,629
Leather and its products, total	102	+18.6	— 6.6	25,115	89	61	59	60	+12.3	+34.0	50,327
Boots and shoes	39	+ 8.5	— 9.8	14,781	35	52	52	51	+ 7.6	+36.6	39,826
Leather: tanned, curried, and finished	39	+37.3	— 3.0	8,977	33	95	94	91	+36.6	+25.8	9,048
Other leather products	24	+33.4	+ 9.5	1,357	21	83	78	72	+22.9	+19.8	1,453
Stone, clay, and glass products, total	66	+20.3	+ 7.4	13,292	59	85	85	82	+17.4	+ 4.1	13,728
Illuminating glassware**	10	+29.4	+14.9	625	6	87	89	75	+33.8	+ 7.9	368
Iron and steel and their products, total	163	+66.6	+19.9	72,850	154	93	89	82	+42.4	+14.7	74,801
Hardware	17	+39.0	— 4.7	3,382	16	76	73	76	+29.9	+17.3	4,192
Stoves, ranges, steam heating apparatus	24	+41.0	+17.0	4,531	24	68	73	55	+17.1	+15.4	6,203
Other iron and steel products	122	+70.5	+21.7	64,937	114	96	92	85	+46.4	+14.4	64,406
Non-ferrous metals and their products, total	58	+38.5	+10.4	20,098	56	84	77	82	+30.4	+26.6	21,187
Jewelry and jewelers' supplies	31	+17.6	+10.9	7,450	30	60	66	66	+25.1	+27.1	9,106
Other non-ferrous metals	27	+54.6	+10.1	12,648	26	102	86	95	+34.8	+26.2	12,081
Machinery, not including transportation equipment, total	200	+29.2	+ 6.9	60,844	175	66	63	63	+17.4	+11.3	62,782
Electrical machinery, apparatus and supplies	89	+23.9	+ 7.7	43,910	74	67	67	65	+18.8	+13.2	42,093
Other machinery, apparatus and supplies	111	+45.4	+ 4.9	16,934	101	64	55	60	+14.6	+ 7.4	20,689
Motor-vehicle parts	47	+44.7	+18.2	7,528	45	82	76	77	+18.7	+17.8	7,607
Miscellaneous industries	70	+16.8	+ 8.4	12,853	62	76	79	71	+19.6	+14.8	14,943
Total	1,660	+24.9	+ 2.7	$444,215	1,419	88	87	88	+19.0	+15.5	$439,844

* Collection percentages are obtained by dividing collections by accounts receivable for an identical group of firms.
**Includes Shades, Globes, Reflectors,Etc.

WHOLESALERS' sales and inventories, October 1939

Kind of Business	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratio‡		
	Number of firms reporting sales	Percent change October 1939 from: Oct. 1938	Percent change October 1939 from: Sept. 1939	Oct. 1939 (000's)	Number of firms reporting stocks	Percent change October 1939 from: Oct. 1938	Percent change October 1939 from: Sept. 1939	Oct. 31, 1939 (000's)	Oct. 1939	Oct. 1938	Sept. 1939
Automotive supplies	200	+11.8	+ 8.7	$4,300	88	— 2.4	+ 1.1	$3,541	198	227	212
Chemicals (industrial)	10	+26.8	+ 3.4	426	6	+29.7	+ 9.6	262	142	130	134
Paints and varnishes	35	+ 3.6	— 6.6	581	12	+ 0.6	+ 4.8	809	230	243	216
Clothing and furnishings, except shoes	46	+ 8.4	—14.4	2,733	24	— 5.5	— 4.4	1,053	126	146	123
Shoes and other footwear	42	+ 7.2	— 7.9	10,636	25	+ 0.5	— 8.1	4,047	129	140	112
Coal	15	+24.5	+14.7	4,100	—	—	—	—	—	—	—
Drugs and drug sundries‡‡	130	+ 3.2	— 1.5	20,927	99	— 1.2	+ 3.0	32,270	194	203	185
Without liquor department	90	+ 3.8	— 1.6	10,595	61	— 0.7	+ 2.4	13,233	186	195	179
With liquor department	40	+ 2.6	— 1.5	10,332	38	— 1.5	+ 3.5	19,037	200	210	189
Dry goods	117	+17.7	— 5.2	14,657	66	+ 4.3	— 2.2	18,826	182	202	172
Electrical goods	333	+34.4	— 0.6	19,285	280	+12.9	+ 5.0	20,265	116	139	109
Dairy and poultry products	19	— 2.9	— 5.8	1,943	11	—18.8	—12.1	644	63	73	64
Fresh fruits and vegetables	85	+ 5.1	— 6.1	2,278	61	+ 4.1	+11.1	908	53	54	46
Farm supplies	9	+17.9	—20.3	244	4	+48.3	+12.8	221	270	201	169
Furniture and house furnishings	48	+24.7	— 5.1	4,114	27	+27.1	— 3.3	5,774	196	191	188
Groceries and foods, except farm products	711	+ 1.1	—21.0	55,348	402	+14.2	+ 7.7	58,983	198	174	146
Full-line wholesalers†	374	+ 1.0	—24.2	21,609	193	+13.4	+10.1	21,481	189	166	129
Voluntary-group wholesalers	190	— 3.1	—22.3	18,849	125	+ 7.8	+10.6	18,902	191	172	136
Retailer-cooperative warehouses	24	+ 3.8	—21.8	4,258	12	+12.8	+ 6.7	3,125	146	133	100
Specialty lines	123	+ 8.3	—10.4	10,632	72	+24.7	+ 1.6	15,475	243	205	218
Confectionery	27	+ 9.1	— 1.6	538	12	+14.0	+ 6.9	171	94	87	86
Meats and meat products	70	+ 8.9	+ 0.9	14,050	45	+16.1	+ 4.3	1,636	45	41	42
Beer	32	— 0.8	—22.3	356	26	+12.2	+ 5.7	92	34	30	25
Wines and spirituous liquors	25	+ 5.9	— 0.4	3,630	17	— 1.0	+ 9.7	5,070	150	160	137
Total hardware group	423	+20.8	+ 2.8	32,354	261	+ 4.7	+ 2.5	43,791	210	243	211
General hardware	153	+16.0	— 0.1	19,433	92	+ 5.3	+ 2.4	30,718	239	263	233
Heavy hardware	21	+14.3	+ 0.8	1,036	16	+ 9.0	+ 4.0	1,911	214	226	217
Industrial supplies*	128	+36.6	+ 8.0	6,142	80	+ 1.5	+ 1.9	7,452	180	247	193
Plumbing and heating supplies	121	+24.2	+ 8.6	5,743	73	+ 3.6	+ 3.2	3,710	125	149	128
Jewelry	46	+28.2	— 8.5	2,995	27	— 1.0	+ 2.9	4,081	221	291	186
Optical goods	11	+22.8	— 4.9	253	4	+21.3	— 2.6	74	161	185	169
Lumber and building materials	41	+23.5	+12.8	3,030	28	+ 3.0	+ 0.5	2,539	114	138	127
Machinery, equipment and supplies, except electrical	60	+41.8	+ 7.7	2,615	30	—13.5	— 1.1	3,091	196	369	227
Surgical equipment and supplies	32	+13.3	+ 4.2	468	18	+ 5.0	+ 2.4	605	246	277	236
Metals	21	+47.8	+11.9	2,988	14	— 0.2	+ 0.2	3,611	164	233	176
Paper and its products	91	+17.6	— 0.6	5,891	42	+ 2.8	— 0.2	3,786	134	147	127
Petroleum	11	+ 9.3	+ 1.3	3,660	6	+ 4.3	+12.2	1,449	59	62	53
Tobacco and its products	176	+ 4.1	— 3.1	14,889	68	+ 4.6	— 4.2	4,389	53	54	54
Flowers and nursery stock	4	— 6.5	+19.4	129	—	—	—	—	—	—	—
Leather and shoe findings	11	+20.8	— 1.3	366	—	—	—	—	—	—	—
Miscellaneous	31	+20.2	+ 5.3	4,034	26	— 0.9	+15.1	7,385	128	152	118
Total	2,912	+11.5	— 6.3	$233,818	1,729	+ 6.1	+ 3.6	$229,373	162	171	146

* This heading also includes distributors of mill, mine and steam supplies. — Insufficient data to show separately.
‡ These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. ‡‡ Total Sales, including liquors, wines, etc.
† Not affiliated with voluntary or cooperative groups.

WHOLESALERS' accounts receivable and collections, October 1939

Kind of Business	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
		October 1939	October 1938	September 1939	Percent change October 1939 from: October 1938	Percent change October 1939 from: September 1939	As of Oct. 1, 1939 (000's)
Automotive supplies	155	76	64	76	— 3.4	+10.6	$3,590
Chemicals (industrial)	10	63	56	57	+ 6.8	— 0.1	693
Paints and varnishes	31	43	42	40	+ 7.6	+ 1.1	1,239
Clothing and furnishings, except shoes	42	48	48	41	+ 5.3	+10.9	5,697
Shoes and other footwear	39	47	49	37	+ 7.3	+ 6.9	8,268
Coal	15	82	64	73	+ 8.3	+12.7	4,673
Drugs and drug sundries	120	71	71	72	+ 4.4	+ 8.9	25,580
Without liquor department	81	70	70	71	+ 2.2	+ 6.2	12,332
With liquor department	39	72	73	74	+ 6.6	+11.4	13,248
Dry goods	106	45	46	42	+11.8	+15.7	27,505
Electrical goods	308	69	66	69	+20.0	+ 6.3	25,225
Dairy and Poultry Products	18	129	139	137	+ 6.2	+ 5.1	1,308
Fresh fruits and vegetables	63	124	120	137	— 7.4	— 3.7	1,147
Farm supplies	8	62	60	64	+15.9	+ 2.8	336
Furniture and house furnishings	42	56	54	50	+26.6	+ 8.8	6,503
Groceries and foods, except farm products	568	96	99	108	+12.4	+11.3	49,876
Full-line wholesalers	286	91	92	102	+11.2	+ 8.9	19,307
Voluntary-group wholesalers	163	96	98	107	+10.0	+11.5	19,888
Retailer-cooperative warehouses	19	151	159	187	+14.3	+ 4.4	1,889
Specialty lines	100	96	101	106	+20.4	+18.0	8,792
Confectionery	18	73	70	71	— 2.2	+10.7	353
Meats and meat products	59	192	190	180	+ 7.6	+ 6.1	7,409
Beer	14	91	99	111	+12.5	— 6.6	99
Wines and spirituous liquors	21	95	92	84	+ 4.3	+10.6	3,372
Total hardware group	391	58	56	54	+12.6	+ 8.5	47,045
General hardware	140	55	52	49	+ 9.3	+ 8.9	30,694
Heavy hardware	21	71	71	69	+16.0	+10.7	1,350
Industrial supplies**	112	69	65	67	+21.6	+ 6.4	6,779
Plumbing and heating supplies	118	61	60	58	+18.2	+ 8.6	8,222
Jewelry	38	18	18	20	+16.6	+29.2	5,865
Optical goods	9	67	62	66	+17.8	+ 6.8	126
Lumber and building materials	39	69	65	67	+12.4	+ 1.3	3,691
Machinery, equipment and supplies, except electrical	50	56	52	53	+13.4	+ 3.6	3,531
Surgical equipment and supplies	32	45	42	43	+ 5.7	+ 1.1	916
Metals	18	88	80	83	+24.4	+13.4	2,937
Paper and its products	77	61	59	56	+ 9.2	+ 7.1	8,388
Petroleum	9	95	91	94	+ 7.8	+ 3.8	2,910
Tobacco and its products	112	122	123	126	+ 8.0	+ 1.7	8,148
Leather and shoe findings	10	43	42	40	+19.4	+18.7	585
Miscellaneous	30	72	65	76	+ 4.5	+ 8.7	4,378
Total	2,452	74	73	74	+11.2	+ 9.4	$261,393

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
** This heading also includes distributors of mill, mine and steam supplies.

WHOLESALERS' sales and inventories, by geographic divisions, October 1939

Geographic Division / Kind of Business	Dollar Sales				End of Month Inventories (Cost)				Stock-Sales Ratio ǂ		
	Number of firms reporting sales	Percent change October 1939 from		Oct. 1939 (000's)	Number of firms reporting stocks	Percent change October 1939 from		Oct. 31, 1939 (000's)	Oct. 1939	Oct. 1938	Sept. 1939
		Oct. 1938	Sept. 1939			Oct. 1938	Sept. 1939				
New England	166	+ 5.8	— 2.6	$12,837	99	— 0.5	+ 5.3	$9,011	119	127	111
Electrical goods	33	+ 7.9	+ 0.1	1,467	28	+ 7.4	+ 6.0	1,592	113	113	107
Groceries and foods, except farm products	29	+ 0.7	—15.5	2,218	14	+ 8.7	+14.8	1,169	150	149	109
Industrial supplies*	16	+20.7	+ 3.1	501	11	— 4.7	+ 4.1	910	233	289	227
Plumbing and heating supplies	10	+15.5	+ 1.9	275	5	+ 3.7	+ 2.6	396	186	201	182
Tobacco and its products	14	+ 2.1	+ 3.3	1,965	—	—	—	—	—	—	—
Middle Atlantic	639	+12.8	— 3.1	54,953	358	+ 7.6	+ 3.8	48,610	153	161	144
Automotive supplies	25	+23.6	+21.8	755	13	— 8.0	— 1.1	748	200	241	223
Paints and varnishes	7	— 5.7	—24.2	50	—	—	—	—	—	—	—
Clothing and furnishings, except shoes	22	+ 7.3	—19.9	2,060	9	—15.0	— 1.0	481	111	142	97
Shoes and other footwear	11	+ 7.1	—21.1	834	5	— 7.8	— 2.9	1,094	171	189	135
Drugs (without liquor department)	14	+ 0.6	— 1.8	2,589	11	+ 5.3	+ 6.3	1,866	137	129	123
Dry goods	42	+33.3	+ 4.2	3,418	20	+ 4.9	0.0	2,243	159	202	153
Electrical goods	73	+27.6	+ 5.6	4,178	62	+15.3	+ 2.7	4,045	109	119	111
Fresh fruits and vegetables	14	+12.0	+ 7.1	345	11	—25.3	+32.7	65	20	30	16
Furniture and house furnishings	12	+16.8	—10.2	695	9	+25.9	+ 3.6	948	172	147	139
Groceries and foods, except farm products	107	— 0.4	—17.9	10,380	45	+21.8	+ 0.9	14,830	376	321	322
Confectionery	7	+ 2.2	— 7.8	94	—	—	—	—	—	—	—
Meats and meat products	19	+ 9.7	+ 0.4	4,791	14	+14.1	+ 0.3	307	32	28	30
Beer	11	+ 3.0	—20.9	136	7	+14.3	+ 6.7	16	20	18	14
General hardware	34	+19.9	+14.9	2,850	16	+ 9.2	+ 6.1	3,435	231	251	251
Heavy hardware	7	+24.6	+ 5.4	471	6	+ 5.6	— 0.2	1,014	226	266	238
Industrial supplies*	33	+51.9	+15.5	1,361	21	+ 8.8	+ 2.5	1,453	144	210	166
Plumbing and heating supplies	46	+31.9	+ 9.1	1,892	30	+ 1.2	+ 3.8	1,407	105	135	108
Jewelry	15	+20.3	—23.2	823	10	—23.1	+ 3.1	1,245	198	303	135
Lumber and building materials	11	+33.8	+19.0	1,167	5	— 3.5	+ 1.5	469	67	99	78
Machinery, eqpt. & supplies, except electrical	7	+ 5.1	—15.3	83	—	—	—	—	—	—	—
Paper and its products	28	+17.8	+ 7.4	2,218	13	+ 2.6	+ 1.8	1,607	119	129	125
Tobacco and its products	50	+ 5.8	— 5.5	5,457	27	+ 1.5	— 9.2	2,254	50	51	52
East North Central	549	+15.7	— 6.1	39,641	324	+ 5.3	+ 4.9	35,699	149	168	135
Automotive supplies	45	+24.0	+16.2	775	23	+ 1.3	+ 3.9	1,006	192	238	217
Paints and varnishes	12	+ 3.7	— 3.0	196	4	— 4.8	+ 5.3	256	197	220	179
Clothing and furnishings, except shoes	10	+19.7	+14.5	292	7	+ 8.3	— 4.0	313	146	161	169
Drugs (without liquor department)	18	+ 6.5	— 0.2	2,092	10	— 0.8	+ 4.3	2,003	159	173	153
Dry goods	8	+21.5	— 9.8	869	5	+ 2.3	— 0.8	1,524	187	223	171
Electrical goods	61	+44.6	+ 2.7	4,161	49	+ 3.8	+ 6.0	4,198	117	168	114
Fresh fruits and vegetables	19	— 4.3	— 9.6	423	15	+ 3.2	+17.1	226	71	67	55
Groceries and foods, except farm products	114	+ 1.2	—23.9	10,026	59	+ 4.8	+ 8.8	8,182	161	155	115
Meats and meat products	15	+ 8.7	+ 1.0	1,037	14	+30.5	+ 6.2	394	38	32	36
Beer	12	— 0.7	—23.9	137	11	+20.6	0.0	41	32	26	25
General hardware	21	+17.1	— 4.8	2,917	16	+16.3	+ 5.5	6,074	238	241	215
Industrial supplies*	22	+53.4	+18.1	1,608	14	— 3.8	+ 0.9	1,837	150	252	177
Plumbing and heating supplies	16	+23.2	+ 4.9	706	8	+12.9	+ 1.4	289	209	235	199
Jewelry	15	+27.3	— 0.3	1,183	8	+18.2	— 2.9	1,096	194	226	202
Lumber and building materials	8	+16.6	+ 2.8	519	5	— 6.5	+ 3.0	418	122	143	121
Machinery, eqpt. & supplies, except electrical	11	+30.7	+ 4.5	392	7	— 1.2	+ 1.9	164	89	124	81
Metals	10	+55.3	+17.9	1,039	6	— 2.2	+ 3.4	994	182	264	181
Paper and its products	23	+17.3	+ 0.2	2,043	11	+ 5.0	— 6.9	846	119	132	115
Tobacco and its products	49	+ 7.6	— 3.6	3,742	19	+10.6	+ 6.9	929	50	50	47
West North Central	323	+12.5	— 7.4	33,679	220	+ 9.1	+ 2.4	38,503	169	174	151
Automotive supplies	19	+ 7.0	+15.1	519	7	+12.4	+ 3.6	400	189	173	216
Drugs (without liquor department)	10	+ 3.7	— 6.6	1,124	9	— 0.6	+ 1.5	1,713	220	230	204
Dry goods	10	+15.5	— 5.6	4,804	9	+ 8.0	— 4.2	8,092	172	184	170
Electrical goods	37	+43.6	— 4.3	1,931	34	+18.6	+15.0	2,177	119	145	98
Fresh fruits and vegetables	13	— 4.3	—18.2	337	11	— 5.3	+ 8.8	161	59	59	44
Furniture and house furnishings	10	+38.6	— 9.6	1,501	8	+40.4	—10.0	3,073	210	209	210
Groceries and foods, except farm products	94	+ 4.9	—24.2	6,641	67	+15.1	+14.7	9,024	202	172	132
General hardware	11	+14.1	— 4.9	2,906	10	— 2.8	+ 0.3	5,435	198	231	188
Heavy hardware	7	—16.1	—13.2	277	4	— 6.0	+10.8	235	134	106	119
Industrial supplies*	14	+18.8	+ 2.3	538	8	+ 8.5	+ 2.8	652	185	209	195
Plumbing and heating supplies	10	+20.9	+ 4.1	666	4	—13.4	+ 1.0	290	120	145	115
Jewelry	7	+30.8	— 8.3	289	5	— 1.0	+ 5.4	585	316	428	288
Machinery, eqpt. & supplies, except electrical	7	+36.8	+11.5	145	4	+28.3	— 2.4	163	155	163	186
Tobacco and its products	15	— 2.1	— 2.5	1,075	9	+ 2.7	+ 3.2	733	87	82	83
South Atlantic	330	+13.9	— 7.0	20,259	179	+ 8.7	+ 2.4	19,360	149	162	136
Automotive supplies	15	— 7.1	+ 8.9	417	4	— 1.6	+ 6.0	124	225	185	234
Drugs (without liquor department)	16	+ 9.3	— 0.1	1,334	8	— 1.6	+ 2.3	1,352	196	223	196
Dry goods	13	+12.1	—12.1	1,347	7	— 0.1	+ 2.5	1,190	182	214	151
Electrical goods	44	+62.2	— 2.6	2,712	41	+30.1	+ 5.0	2,730	105	133	97
Fresh fruits and vegetables	11	+ 7.6	— 0.5	366	4	—16.4	+ 9.5	46	38	45	40
Groceries and foods, except farm products	98	+ 4.3	—16.0	4,388	39	+14.3	+ 9.0	3,469	171	157	133
Confectionery	8	+ 6.8	+10.3	172	4	+17.5	+11.7	67	93	85	83
General hardware	26	+11.6	— 6.2	1,858	16	+ 5.7	+ 1.3	3,084	274	297	254
Industrial supplies*	14	+43.8	+13.0	565	9	+ 9.9	+ 3.8	744	156	201	166
Plumbing and heating supplies	20	+12.7	89.7	935	18	+15.1	+ 9.0	869	133	132	135
Paper and its products	9	+14.5	— 2.1	458	4	— 0.9	+ 2.7	345	164	174	153
Tobacco and its products	12	+ 4.7	— 3.7	672	—	—	—	—	—	—	—
East South Central	155	+11.2	— 6.7	10,530	84	+ 5.9	+ 3.2	11,639	174	186	158
Drugs (without liquor department)	11	+ 3.6	— 3.0	1,058	7	— 1.4	+ 1.7	1,697	201	210	192
Dry goods	11	+ 2.3	—19.1	1,049	6	+12.6	+ 3.4	1,376	179	167	140
Electrical goods	15	+28.0	— 8.2	618	11	+ 3.2	+ 6.7	682	131	164	113
Groceries and foods, except farm products	47	+ 5.4	—18.4	2,438	19	+13.4	+ 5.4	2,231	177	166	136
General hardware	16	+16.8	+ 5.1	2,573	9	+ 1.6	+ 2.9	2,891	219	254	233
Industrial supplies*	8	+30.0	+16.9	325	4	— 0.8	— 1.9	255	168	206	218
West South Central	258	+ 9.1	—13.5	17,747	174	+ 4.7	+ 5.1	22,850	203	210	166
Automotive supplies	7	+ 8.1	+16.3	93	6	— 7.2	+ 3.6	142	161	187	180
Drugs (with liquor department)	10	— 0.5	+ 0.8	1,638	9	— 0.8	+ 5.2	3,793	239	240	228
Dry goods	9	+13.6	— 9.7	1,319	8	+ 1.4	— 1.9	2,304	212	224	189
Electrical goods	34	+22.7	— 9.9	1,531	26	+ 5.4	+ 2.6	1,528	112	129	97
Groceries and foods, except farm products	129	+ 0.4	—25.5	7,359	92	+18.0	+12.7	8,366	199	167	127
General hardware	15	+22.6	+ 1.6	1,967	9	+ 6.3	+ 0.8	2,329	227	256	231
Machinery, eqpt. & supplies, except electrical	9	+78.3	+16.7	1,041	—	—	—	—	—	—	—
Tobacco and its products	10	— 4.7	— 1.5	403	—	—	—	—	—	—	—
Mountain	124	+10.0	— 6.4	7,618	88	+ 5.3	+ 2.8	9,729	171	180	152
Automotive supplies	13	— 2.1	+ 6.1	278	5	—18.9	— 5.1	223	196	275	193
Electrical goods	9	+41.5	+ 6.6	549	6	+ 6.5	+ 8.1	657	131	177	130
Groceries and foods, except farm products	39	— 0.7	—22.0	2,466	35	+ 9.9	+ 7.3	3,935	200	178	142
Pacific	367	+ 7.0	— 8.6	30,768	203	+ 3.3	+ 2.7	33,972	175	181	156
Automotive supplies	71	+11.6	— 2.4	1,429	29	— 1.3	— 0.8	895	216	238	209
Shoes and other footwear	7	+23.3	—10.3	217	5	— 3.5	+ 3.5	388	197	261	165
Dry goods	17	+15.5	+ 2.1	1,367	8	— 9.7	— 2.6	1,150	206	260	224
Electrical goods	27	+25.8	— 4.6	2,138	23	+17.9	— 0.6	2,656	138	149	130
Dairy and poultry products	7	—19.4	—13.0	716	5	— 4.8	+ 0.6	475	83	71	69
Fresh fruits and vegetables	9	+ 2.9	—12.5	350	—	—	—	—	—	—	—
Furniture and house furnishings	7	+23.3	—12.6	549	—	—	—	—	—	—	—
Groceries and foods, except farm products	54	— 1.4	—18.9	9,432	32	+ 9.6	+ 6.9	7,777	129	114	101
Meats and meat products	13	+15.6	— 0.2	1,257	8	+26.8	+ 7.7	506	65	60	61
General hardware	19	+12.4	— 3.2	3,301	10	+ 3.2	+ 0.9	6,162	307	333	305
Industrial supplies*	14	+ 9.8	— 6.9	335	9	+ 4.5	+ 3.2	487	244	263	213
Plumbing and heating supplies	11	+25.2	+14.7	849	—	—	—	—	—	—	—
Lumber and building materials	13	+14.2	+12.7	498	11	+ 4.6	— 0.2	565	147	166	164
Surgical equipment and supplies	7	+21.5	+ 9.7	113	6	+ 2.7	+ 0.9	225	271	332	286
Paper and its products	10	+17.6	—29.1	321	6	+ 1.2	— 0.8	500	193	236	126
Tobacco and its products	19	+ 0.2	— 2.3	1,302	—	—	—	—	—	—	—

* This heading also includes distributors of mill, mine and steam supplies.
— Insufficient data to show separately.
ǂ These Stock-Sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms.

WHOLESALERS' accounts receivable and collections, by geographic divisions, October 1939

Kind of Business and Region	Number of firms reporting	Collection Percentages*			Total Accounts Receivable		
					Percent change October 1939 from		As of Oct. 1, 1939 (000's)
		October 1939	October 1938	September 1939	October 1938	September 1939	
New England	145	72	67	71	+ 3.8	+ 9.4	$13,842
Electrical goods	30	76	74	76	+ 4.6	+10.6	1,851
Groceries and foods, except farm products	24	88	77	91	— 2.4	+ 5.7	2,558
Industrial supplies**	14	67	63	66	+13.8	+12.8	660
Plumbing and heating supplies	10	50	45	48	+ 5.7	+ 8.7	498
Tobacco and its products	9	105	107	107	+ 2.4	— 2.3	420
Middle Atlantic	536	79	78	79	+12.3	+10.1	60,604
Automotive supplies	20	66	44	64	—13.7	+ 5.1	556
Clothing and furnishings, except shoes	20	47	48	43	+ 5.5	+11.5	4,486
Shoes and other footwear	11	44	44	33	+ 9.6	+10.1	2,473
Drugs (without liquor department)	13	61	62	62	+ 2.5	+ 6.7	2,939
Dry goods	37	51	53	48	+22.9	+12.7	4,971
Electrical goods	69	74	72	72	+15.3	+ 8.4	4,878
Fresh fruits and vegetables	10	202	183	174	+ 7.8	— 5.3	124
Furniture and house furnishings	9	51	45	40	+26.6	+ 7.0	1,171
Groceries and foods, except farm products	83	96	102	109	+19.8	+16.9	10,599
Meats and meat products	16	182	177	171	+ 7.1	+ 5.0	2,738
General hardware	30	48	46	44	+ 7.6	+10.7	4,042
Heavy hardware	7	64	60	60	+21.7	+10.2	650
Industrial supplies**	28	79	71	74	+29.3	+11.4	1,365
Plumbing and heating supplies	44	61	57	57	+18.3	+12.7	2,708
Jewelry	11	19	15	21	+13.8	+31.8	874
Lumber and building materials	10	74	62	70	+ 9.9	+ 1.0	1,185
Paper and its products	20	57	56	51	+ 7.3	+ 7.3	2,957
Tobacco and its products	36	132	141	138	+12.5	+ 1.1	3,756
East North Central	455	73	70	75	+10.7	+ 8.9	44,535
Automotive supplies	40	75	60	67	— 3.6	+12.1	733
Paints and varnishes	11	29	31	30	+ 7.8	— 0.6	539
Clothing and furnishings, except shoes	9	59	49	42	+ 2.1	+ 8.4	480
Drugs (without liquor department)	16	78	81	79	+ 5.5	+ 5.7	2,005
Dry goods	8	45	42	46	+ 7.8	+22.9	1,661
Electrical goods	55	65	59	66	+ 8.3	— 0.1	5,070
Fresh fruits and vegetables	12	96	113	114	+ 6.3	+ 3.5	236
Groceries and foods, except farm products	91	95	92	109	+ 7.0	+11.4	9,519
Meats and meat products	11	105	112	111	+11.1	+ 7.1	648
General hardware	20	58	54	52	+ 9.3	+ 9.5	4,905
Industrial supplies**	21	70	69	68	+37.3	+ 3.8	1,885
Plumbing and heating supplies	15	62	64	56	+35.7	+ 8.3	1,056
Jewelry	13	19	19	23	+13.6	+37.5	2,534
Lumber and building materials	8	66	63	67	+17.0	+ 5.1	743
Machinery, equipment and supplies, except electrical	9	77	80	76	+45.7	+ 0.3	322
Metals	8	92	81	80	+13.4	+13.5	805
Paper and its products	23	63	60	58	+10.8	+ 3.6	3,106
Tobacco and its products	29	116	113	123	+ 5.3	+ 2.9	1,956
West North Central	277	76	75	76	+10.2	+11.5	40,575
Automotive supplies	14	65	47	61	— 7.8	+21.0	564
Drugs (without liquor department)	10	77	77	80	+ 3.0	+ 7.1	1,461
Dry goods	10	41	44	38	+11.8	+18.4	10,539
Electrical goods	35	61	57	61	+17.0	+ 9.7	2,976
Furniture and house furnishings	10	57	57	52	+39.7	+ 5.9	2,433
Groceries and foods, except farm products	78	118	119	148	+ 9.6	+ 8.4	4,426
General hardware	11	62	58	54	+ 5.2	+14.7	4,927
Heavy hardware	7	91	100	98	+ 7.8	+12.7	319
Industrial supplies**	12	58	53	62	+ 9.1	+ 4.1	716
Plumbing and heating supplies	10	58	61	59	+23.7	+ 5.4	882
South Atlantic	264	65	67	64	+16.7	+ 9.7	23,015
Automotive supplies	12	64	61	63	+ 3.5	+17.0	412
Drugs (without liquor department)	14	75	76	75	+ 4.5	+ 6.1	1,355
Dry goods	9	40	44	38	+17.8	+25.4	2,134
Electrical goods	43	66	67	67	+57.6	+10.6	4,053
Fresh fruits and vegetables	9	106	116	109	+11.5	+ 9.7	203
Groceries and foods, except farm products	67	97	98	102	+ 6.6	+ 2.6	3,099
General hardware	25	47	48	40	+13.6	+ 8.8	3,737
Industrial supplies**	11	70	59	61	+20.3	+11.8	700
Plumbing and heating supplies	20	56	60	56	+ 4.8	+ 3.3	1,482
Paper and its products	7	62	61	62	+ 4.1	+10.8	504
East South Central	128	62	62	58	+ 9.5	+ 7.6	13,826
Drugs (without liquor department)	9	65	64	64	+ 2.0	+ 5.5	1,448
Dry goods	11	41	44	34	+ 6.6	+13.8	2,268
Electrical goods	13	76	64	69	+32.7	+ 6.5	880
Groceries and foods, except farm products	34	92	95	84	+11.6	— 1.4	2,052
General hardware	14	51	50	45	+13.0	+ 7.6	3,659
Industrial supplies**	8	71	68	67	+17.8	+13.6	384
West South Central	228	70	69	71	+ 8.4	+ 7.2	20,944
Drugs (with liquor department)	9	73	68	72	— 2.6	+14.4	1,965
Dry goods	9	44	43	40	+ 4.4	+12.8	3,031
Electrical goods	30	77	73	78	+25.2	+ 2.1	2,023
Groceries and foods, except farm products	115	92	96	98	+11.7	+ 5.4	6,816
General hardware	14	65	57	55	+ 9.7	+11.3	2,329
Machinery, equipment and supplies, except electrical	8	42	40	40	+12.1	+ 4.2	1,780
Tobacco and its products	7	86	91	90	+ 3.1	— 1.0	198
Mountain	106	75	74	77	+ 9.0	+ 4.3	8,159
Automotive supplies	8	59	61	56	+ 3.5	+ 4.0	234
Electrical goods	8	69	74	72	+35.1	— 3.6	732
Groceries and foods, except farm products	33	90	89	107	+ 1.1	+ 9.9	2,200
Pacific	313	75	76	79	+13.6	+ 9.6	35,893
Automotive supplies	52	60	58	64	— 0.2	+ 5.6	935
Shoes and other footwear	7	46	42	36	+16.5	+ 0.4	522
Dry goods	15	57	56	54	+ 6.9	+ 5.0	2,096
Electrical goods	25	71	66	70	+14.7	+ 8.7	2,762
Dairy and poultry products	7	137	143	166	— 9.4	+ 4.4	424
Furniture and house furnishings	7	69	62	62	+17.5	+13.5	978
Groceries and foods, except farm products	43	94	105	110	+23.7	+20.4	8,607
Meats and meat products	11	172	167	191	+10.9	+ 3.2	710
General hardware	18	53	53	52	+ 9.3	+ 3.9	5,933
Industrial supplies**	13	55	59	56	+16.6	+ 4.1	584
Plumbing and heating supplies	11	68	70	69	+25.9	+10.8	1,015
Lumber and building materials	13	60	59	63	+13.1	— 1.3	732
Machinery, equipment and supplies, except electrical	9	49	44	41	+17.7	— 3.0	319
Surgical equipment and supplies	7	42	41	38	+ 8.5	+ 1.6	256
Paper and its products	8	55	56	56	+13.0	+19.3	619
Tobacco and its products	14	102	105	102	+ 3.3	+ 1.1	1,050

* Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.

** This heading also includes distributors of mill, mine and steam supplies.

STATES COMPRISING DIVISIONS: New England—(Conn., Me., Mass., N. H., R. I., Vt.); Middle Atlantic—(N. J., N. Y., Pa.); East North Central—(Ill., Ind., Mich., Ohio, Wisc.); West North Central—(Iowa, Kans., Minn., Mo., Nebr., N. Dak., S. Dak.); South Atlantic—(Del., D. C., Fla., Ga., Md., N. Car., S. Car., Va., W. Va.); East South Central—(Ala., Ky., Miss., Tenn.); West South Central—(Ark., La., Okla., Texas); Mountain—(Ariz., Colo., Idaho, Mont., Nev., N. Mex., Utah, Wyo.); Pacific—(Cal., Ore., Wash.)

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